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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

S. 1349

A BILL TO PROVIDE FOR THE AMENDMENT OF THE FAIR LABOR STANDARDS ACT OF 1938, AND FOR OTHER PURPOSES

WASHINGTON, D. C.

SEPTEMBER 25, 26, 27, AND 28; OCTOBER 2, 4, 5, 9, 10, 12, 16, 18, 19, 23, 25, AND 26, 1945

Printed for the use of the Committee on Education and Labor

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AMENDMENT OF THE FAIR LABOR STANDARDS ACT

TUESDAY, SEPTEMBER 25, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell, presiding.

Present: Senators Tunnell, Thomas, Ellender, Guffey, Aiken, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will please be in order. This is a meeting of the subcommittee of the Committee on Education and Labor to take up consideration of S. 1349, a bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes. It has been suggested that the bill should be placed in the record at this point.

(S. 1349 is as follows:)

[S. 1349, 79th Cong., 1st sess.]

A BILL To provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Fair Labor Standards Act of 1938 (herein referred to as the "Act") be, and it is hereby, amended as follows:

1. Section 2 of the Act is hereby amended to read as follows:

"SEC. 2. (a) The Congress hereby finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several States; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce.

"(b) It is hereby declared to be the policy of this Act, through the exercise by Congress of its power to regulate commerce among the several States, (1) to correct and as rapidly as practicable to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power; and (2) to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industries."

2. Section 3 of the Act is hereby amended by amending subsection (m) thereof to read as follows and by adding the following additional subsections:

"(m) 'Wage' paid to any employee, except members of the crew of a vessel, includes the reasonable cost, as determined by the Administrator, to the employer of furnishing such employee with board, lodging, or other facilities, if such board, lodging, or other facilities are customarily furnished by such employer to his employees.

"(n) 'Job classification' means those occupations within an industry or subdivision thereof requiring a similar degree of training, experience, and skill.

"(o) 'Unskilled job classification', as applied to any industry or subdivision thereof means a job classification which does not require previous training or experience."

3. Section 6 of the Act shall be amended to read as follows:

"SEC. 6. (a) Every employer shall pay to each of his employees who is engaged in commerce or in the production of goods for commerce wages at the following rates—

"(1) during the first year from the effective date of this section, not less than 65 cents an hour;

"(2) during the second year from such date, not less than 70 cents an hour;

"(3) after the expiration of two years from such date, not less than 75 cents an hour; and

"(4) at any time after the effective date of this section, not less than the applicable rate or rates (not in excess of 75 cents an hour for unskilled job classifications) prescribed in the applicable order of the Administrator issued under section 8.

"(b) This section shall take effect upon the expiration of one hundred and twenty days from the date of enactment of this Act."

4. Section 7 of the Act shall be amended to read as follows:

"SEC. 7. (a) No employer shall, except as otherwise provided in this section, employ any of his employees who is engaged in commerce or in the production of goods for commerce for a workweek longer than forty hours unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.

"(b) No employer shall be deemed to have violated subsection (a) by employing any employee for a workweek in excess of that specified in such subsection without paying the compensation for overtime employment prescribed therein if such employee is so employed—

"(1) in pursuance of an agreement, made as a result of collective bargaining by representatives of employees certified as bona fide by the National Labor Relations Board, which provides that no employee shall be employed more than one thousand hours during any period of twenty-six consecutive weeks,

"(2) On an annual basis in pursuance of an agreement with his employer, made as a result of collective bargaining by representatives of employees certified as bona fide by the National Labor Relations Board, which provides that the employee shall not be employed more than two thousand and eighty hours during any period of fifty-two consecutive weeks, or

"(3) for a period or periods of not more than fourteen workweeks in the aggregate in any calendar year in an industry found by the Administrator to be of a seasonal nature,

and if such employee receives compensation for employment in excess of twelve hours in any workday, or for employment in excess of fifty-six hours in any workweek, as the case may be, at a rate not less than one and one-half times the regular rate at which he is employed."

5. Section 8 of the Act shall be amended to read as follows:

"SEC. 8. (a) With a view of carrying out the policy of this Act by reaching, as rapidly as is economically feasible without substantially curtailing employment, the objective of a universal minimum wage of 75 cents an hour for unskilled job classifications in each industry engaged in commerce or in the production of goods for commerce, and to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industry, the Administrator shall from time to time convene the industry committee for each such industry, and the industry committee shall from time to time recommend the minimum rate or rates of wages to be paid under section 6 by employers engaged in commerce or in the production of goods for commerce in such industry or subdivisions thereof.

"(b) Upon the convening of an industry committee, the Administrator shall refer to it the question of the minimum wage rate or rates to be fixed for such industry. The industry committee shall investigate conditions in the industry and the committee, or any authorized subcommittee thereof, may hear such witnesses and receive such evidence as may be necessary or appropriate to enable the committee to perform its duties and functions under this Act. The committee

shall recommend to the Administrator the highest minimum wage rates for the industry which it determines, having due regard to economic and competitive conditions, will not substantially curtail employment in the industry, and which will maintain reasonable wage differentials between interrelated job classifications in such industry.

"(c) The industry committee for any industry shall recommend such reasonable subdivisions within any industry as it determines to be necessary for the purpose of fixing for each subdivision within such industry the highest minimum wage rate for unskilled job classifications (not in excess of 75 cents an hour) which (1) will not substantially curtail employment in such subdivision and (2) will not give a competitive advantage to any group in the industry, and shall recommend for each subdivision in the industry the highest minimum wage rate for unskilled job classifications which the committee determines will not substantially curtail employment in such subdivision. The industry committee shall further define such reasonable job classifications within such industry or subdivision thereof and shall recommend minimum wage rates for such job classifications (other than unskilled job classifications) at such levels as it determines to be necessary for the purpose of maintaining reasonable wage differentials between the minimum wage recommended by it for unskilled job classifications and the wage rates for interrelated job classifications in such industry or subdivision thereof. In determining whether subdivisions should be made in any industry, in making such subdivisions, in determining the minimum wage rates for such subdivisions, in defining job classifications and in determining minimum wage rates for job classifications, no classification or determination shall be made and no minimum wage rate shall be fixed, solely on a regional basis, but the industry committee and the Administrator shall consider among other relevant factors the following:

"(1) competitive conditions as affected by transportation, living, and production costs;

"(2) the wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing; and

"(3) the wages paid for work of like or comparable character by employers who voluntarily maintain minimum-wage standards in the industry.

No classification shall be made under this section on the basis of age or sex.

"(d) The industry committee shall file with the Administrator a report containing its recommendations with respect to the matters referred to it. Upon the filing of such report, the Administrator, after due notice to interested persons, and giving them an opportunity to be heard, shall by order approve and carry into effect the recommendations contained in such report, if he finds that the recommendations are made in accordance with law, are supported by the evidence adduced at the hearing, and taking into consideration the same factors as are required to be considered by the industry committee, will carry out the purposes of this section; otherwise he shall disapprove such recommendations. If the Administrator disapproves such recommendations, he shall again refer the matter to such committee, or to another industry committee for such industry (which he may appoint for such purpose), for further consideration and recommendations.

"(e) No minimum wage rate for unskilled job classifications of less than 75 cents an hour, contained in an order issued under this section prior to the expiration of two years from the effective date of section 6, shall remain in effect after such expiration and no order fixing a minimum rate for unskilled job classifications of less than 75 cents an hour shall be issued under this section with respect to any industry on or after such expiration.

"(f) Orders issued under this section shall define the industries, or subdivisions thereof and job classifications therein to which they are to apply, and shall contain such terms and conditions as the Administrator finds necessary to carry out the purposes of such orders, to prevent the circumvention or evasion thereof, and to safeguard the minimum wage rates established therein. No such order shall take effect until after due notice is given of the issuance thereof by publication in the Federal Register and by such other means as the Administrator deems reasonably calculated to give to interested persons general notice of such issuance.

"(g) Due notice of any hearing provided for in this section shall be given by publication in the Federal Register and by such other means as the Administrator deems reasonable calculated to give general notice to interested persons."

6. Section 12 of the Act shall be amended as follows:

"SEC. 12. (a) After the expiration of one hundred and twenty days from the date of enactment of this Act, no producer, manufacturer, or dealer shall ship or deliver for shipment in commerce any goods produced in an establishment situated in the United States in or about which within thirty days prior to the removal of such goods therefrom any oppressive child labor has been employed: *Provided*, That a prosecution and conviction of a defendant for the shipment or delivery for shipment of any goods under the conditions herein prohibited shall be a bar to any further prosecution against the same defendant for shipments or deliveries for shipment of any such goods before the beginning of said prosecution.

"(b) No employer engaged in commerce or in the production of goods for commerce shall employ any oppressive child labor in or about or in connection with any enterprise in which he is so engaged.

"(c) The Chief of the Children's Bureau in the Department of Labor, or any of his authorized representatives, shall make all investigations and inspections under section 11 (a) with respect to the employment of minors, and, subject to the direction and control of the Attorney General, shall bring all actions under section 17 to enjoin any act or practice which is unlawful by reason of the existence of oppressive child labor, and shall administer all other provisions of this Act relating to oppressive child labor."

7. Section 13 of the Act shall be amended to read as follows:

"SEC. 13. (a) The provisions of sections 6 and 7 shall not apply with respect to (1) any employee employed in a bona fide executive, administrative, professional, or local retailing capacity, or in the capacity of outside salesman (as such terms are defined and delimited by regulations of the Administrator); or (2) any employee engaged in any retail or service establishment the greater part of whose selling or servicing is in intrastate commerce; or (3) any employee of a carrier by air subject to the provisions of title II of the Railway Labor Act; or (4) any employee employed in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life, including the going to and returning from work; or (5) any employee employed in agriculture; or (6) any employee to the extent that such employee is exempted by regulations or orders of the Administrator issued under section 14; or (7) any employee employed in connection with the publication of any weekly or semiweekly newspaper with a circulation of less than three thousand the major part of which circulation is within the county where printed and published; or (8) any employee of a street, surburban, or interurban electric railway, or local trolley or motor bus carrier, not included in other exemptions contained in this section; (10) any switchboard operator employed in a public telephone exchange which has less than five hundred stations.

"(b) The provisions of section 7 shall not apply with respect to (1) any employee who during the greater part of any workweek is engaged in work with respect to which the Interstate Commerce Commission has established qualifications and maximum hours of service pursuant to the provisions of section 204 of the Motor Carrier Act, 1935; or (2) any employee of an employer subject to the provisions of part I of the Interstate Commerce Act.

"(c) The provisions of section 12 relating to child labor shall not apply with respect to any employee employed in agriculture while not legally required to attend school, or to any child employed as an actor in motion pictures or theatrical productions."

8. Section 16 of the Act shall be amended as follows:

"SEC. 16. (a) Any person who willfully violates any of the provisions of section 15 shall upon conviction thereof be subject to a fine of not more than $10,000 or to imprisonment for not more than six months, or both. No person shall be imprisoned under this subsection except for an offense committed after the conviction of such person for a prior offense under this subsection.

"(b) Any employer who violates the provisions of section 6 or section 7 of this Act shall be liable to the employee or employees affected in the amount of their unpaid minimum wages, or their unpaid overtime compensation, as the case may be, and in an additional equal amount as liquidated damages. Action to recover such liability may be maintained at any time within five years from the accrual of such liability in any court of competent jurisdiction by any one or more employees for and in behalf of himself or themselves and other employees similarly situated, or such employee or employees may designate an agent or representative to maintain such action for and in behalf of all employees similarly situated. The count in such action shall, in addition to any judgment awarded to the plaintiff or plaintiffs, allow a reasonable attorney's fee to be paid by the defendant, and costs of the action.

Senator TUNNELL. The first witness is Secretary Schwellenbach.

TESTIMONY OF HON. LEWIS B. SCHWELLENBACH, SECRETARY OF LABOR

Senator TUNNELL. You may proceed in your own way, Mr. Secretary.

Secretary SCHWELLENBACH. Mr. Chairman and gentlemen of the committee, a bill such as the one before the committee today raises many questions of a technical nature. I shall give the committee my general thoughts on some of the proposed changes in the Fair Labor Standards Act, but I shall leave to Mr. Walling and to Mr. Hinrichs the task of elaborating upon the statistical and economic data which the committee desires for its consideration of the measure.

Congress in 1938 did not intend that a 40-cent minimum should represent the final goal in Federal minimum wage policy. That minimum represented, rather, a reasonable beginning toward the ultimate goal: "A minimum standard of living necessary for health, efficiency, and well being of workers." That language is taken from the original act. It was recognized in 1938 that an annual income of $800, which full employment at a 40-cent rate would bring, did not achieve the objective of a minimum American standard of living. Since 1938 the country has proved its capacity to produce a national income far beyond prewar levels. The productivity per man-hour in manufacturing has greatly increased. Now is the time to take a further step in achieving for each worker a minimum wage that will more adequately assure his health, efficiency, and general well-being.

I favor the minimum wage provisions of S. 1349: I believe that 65 cents an hour is necessary in justice to that large group of low paid wage earners who have never received sufficient income to maintain their American standard of living. The enactment of such a law in my opinion will prove beneficial to other economic groups in the Nation.

In judging the question of the proper hourly wage rate which should be established as the legal minimum, a number of factors must be taken into account. Among these factors are the cost of living, the capacity of business to pay the wage and whether there will be inflationary effects.

We all know that the cost of living has risen since the enactment of the Fair Labor Standards Act. This has an important bearing on the minimum wage question. It means that in terms of real wages even the inadequate goal of 40 cents an hour has not been achieved. At present the increase in prices and the cost of living have canceled out one of the objectives sought in the enactment of the 40 cents minimum in 1938, in that it will not purchase the same goods and services that it would purchase in 1938.

A substantial part of the proposed increase in the minimum wage is required, therefore, merely to reestablish the congressional objective of 1938.

The remainder of the increase represents what I have described as an advance toward the goal of a minimum American standard of living.

The committee will probably receive detailed testimony on the question of the money amount required for a minimum budget. I doubt whether any of that testimony will show that 65 cents an hour, representing $26 for a standard workweek, and $1,300 for a year of work, will be sufficient to meet the minimum budget of the average workingman.

A minimum standard of living supported by a guaranteed wage at the suggested level will strengthen our economy by maintaining national purchasing power.

We have learned that wages must be viewed not only as labor costs but also as an index of our purchasing power.

The money received by wage earners through the operation of the minimum wage law will in the main be expended on such items as food and clothing. At low income levels, a greater proportion of the budget is allocated to these necessary items of living. There will be numerous business enterprises, which will be affected by these expenditures. Retail stores and other agencies of distribution will be called upon to sell goods which would not otherwise have been bought; factories and other processing establishments will be required to manufacture these goods; and ultimately, the farms will have a larger demand for their cotton, wheat, and other products. These are the activities that make for a sound economy. They are the backbone of our American principle of free enterprise. No one questions that. I believe that our experience with the present act justifies the assertion that a minimum wage law is a vital factor in their achievement.

An increased minimum wage should also assist our system of free competitive enterprise in working out its true functions. We will not secure the most efficient production of goods and services by permitting competitors to outrival each other in wage cutting. Just as our law makes monopoly an illegal means of stifling competition, so should the law rule out the payment of substandard wages which cause unfair competition. Our high wage economy has shown that it can outproduce low wage economies by maintaining a higher degree of productive efficiency. Placing a floor under wages means that wage cutting must be replaced by a search for greater efficiency. The direction of our economic effort along these lines should produce more and better goods and services and stabilize our economy.

I believe that we can take action to eliminate substandard wage conditions and to preserve purchasing power without destroying business or causing inflation.

There are many industries which pay the bulk of their workers above 55 cents an hour. These industries will not be substantially affected by an increase in the legal minimum to 65 cents an hour.

Only a small percentage of substandard wage earners receive less than 50 cents an hour. For all practical purposes, therefore, the 65 cents minimum will increase actual compensation of employees of the low-wage group by 1 to 15 cents depending on their rate of pay.

These wage increases will not register a directly proportionate effect on costs of production or prices. In the first place labor is only a part of the total cost of production. In many industries the cost of materials, overhead, and other factors represents a greater portion of the total cost of production than labor. Secondly, improvement of technical processes and increases in efficiency of production will tend to absorb the increase in the hourly rate of pay.

The sections of the bill providing for the maintenance of reasonable wage differentials between interrelated job classifications, through use of the industry-committee procedure, raise a number of questions. One which occurs to me, for example, is whether the kind of industry committee which has been functioning under the Fair Labor Standards Act is properly qualified to handle the technical work of job analysis and classification. Another problem is the possible effect of the proposal upon established labor relations in well-organized plants and industries where collective bargaining is the method used for handling wage differentials. I am sure that this committee will wish to study these and other related questions.

I will say to the committee that Mr. Walling, the Administrator, is prepared to present in detail a discussion of these two problems which I simply point out.

The bill proposes to delete sections 13 (a) (10) and 7 (c) of the Fair Labor Standards Act which provide for the exemption of certain agricultural processing industries from minimum wage and overtime pay requirements.

I am in favor of this proposal.

The extension of the minimum-wage requirements of the law to employees in agricultural processing industries is necessary for the reasons I have given with respect to the need for raising the minimum wage to 65 cents an hour. This segment of our wage earning population is entitled, equally with all others, to attain a minimum American standard of living. Full production and employment cannot be attained if this group does not receive the protection of an adequate wage floor. Furthermore, the business enterprises in these industries should also be provided with a uniform basis of competition with regard to the minimum wage.

I believe that extension of minimum-wage coverage in the agricultural processing industries is more feasible at this time than when the Fair Labor Standards Act was enacted because there has been an upward revision in the wage structure.

I am also of the view that this is a favorable time to narrow the overtime exemption for agricultural processing industries. During the reconversion period, there will be temporary unemployment in those industries which require time to change over to peacetime production. Agricultural processing industries for the most part are not subject to this difficulty, however, since they produce the same goods in war and peace. It is, therefore, reasonable to provide these industries with an incentive to employ more people in their regular operations.

I do not believe that the application of the overtime provisions will result in undue hardship. Agricultural processing industries which are of a truly seasonal character and cannot expand their labor forces during periods of peak production are eligible for a partial overtime pay exemption under section 7 (b) (3) of the act. This section provides that employers in industries found by the Administrator of the Wage and Hour Division to be of a seasonal nature

are not subject for a 14-work-week period to the requirement of time and one-half after 40 hours but must pay time and one-half for hours over 12 in 1 day or 56 per week.

The section of the bill with respect to child labor would change the present coverage provisions to conform them with those applicable to minimum wages and overtime. In other words, the amendment would establish an absolute "prohibition" against the employment of "oppressive child labor" as that term is defined in the act. At present the only prohibition is against the shipment of goods in commerce which were produced in establishments in or about which oppressive child labor was employed. The limitations of the present provisions were well illustrated in the recent Western Union case before the United States Supreme Court.

The socially desirable purposes of the child labor prohibition should be achieved, in my judgment, to the fullest extent of congressional power. This is especially true at this time when the labor supply is expanding.

I approve of the principle of establishing a uniform, Federal statute of limitations for damage suits brought by employees under section 16 (b) of the act. At present, the period of limitations depends on the law of the State in which the cause of action is brought. There is extensive variation among the States as to the applicable period, with consequent unequal effects on the competitive position of employers.

The Department of Labor has previously expressed the position in a letter to this committee, that it considers 3 years to be an appropriate period of limitation.

Senator TUNNELL. Now, as I understand, you made the statement that the 40-cent standard had not been attained. You mean by that, that many are not paying the 40-cent rate per hour?

Secretary SCHWELLENBACH. I made that statement in reference to agriculture. We have violations, of course, and cases are being brought in reference to violations, but I did not mean without a violation of the present act there was any widespread payment of less than 40 cents an hour.

Senator AIKEN. Is there any place where you can get agricultural labor for less than 40 cents an hour now?

Secretary SCHWELLENBACH. Not right now.

Senator AIKEN. You mean previous to the war?

Secretary SCHWELLENBACH. Yes.

Senator AIKEN. I think that is true. Agricultural labor, in my part of the country, cannot be gotten for less than 60 or 70 cents an hour.

Secretary SCHWELLENBACH. It is reasonable to assume that that is not a condition that will prevail after the labor market is supplied with more labor.

Senator AIKEN. The supply is not increasing at all, so far.

Secretary SCHWELLENBACH. You understand, Senator, this is not agricultural labor itself; it is agricultural processing labor.

Senator AIKEN. I understand. Is it not a fact that the level of agricultural wages is approaching the level of industrial wages in a good many sections now?

Secretary SCHWELLENBACH. Undoubtedly.

Senator AIKEN. I mean the level of the take-home pay. Perhaps not the hourly wage but the take-home pay seems to be about the same in agriculture in New England now as the take-home pay of ordinary labor in industry.

Secretary SCHWELLENBACH. Undoubtedly that is true. It seems to me that we must assume that is not a permanent condition.

Senator AIKEN. I am speaking of agriculture. You referred to the closing of the gap in processing plants, for processing agricultural products. Some months ago I had complaint of boys being drafted from poultry plants on farms in what appeared to be a violation of the Tydings amendment. In talking with General Hershey's office I learned they had a definition holding that a farm that operated an incubator was not defined to be a farm but a processing plant. I asked them where they got that definition and they said from the War Labor Board. You would not consider that a farm that had an incubator on it, that hatched its own chickens, was a processing plant, would you?

Secretary SCHWELLENBACH. Not personally, I would not.

Senator AIKEN. These people claimed they got the definition from the War Labor Board that a farm with an incubator on it was not a farm but a processing plant. If the War Labor Board gave that definition it was wrong, in my opinion.

Senator ELLENDER. Mr. Secretary, as I recall it, President Truman, in his message to Congress some time ago, advocated a reasonable upping of the minimum wages. Are you speaking for the Administration now?

Secretary SCHWELLENBACH. Yes, sir.

Senator ELLENDER. Is it your view that 65 cents per hour is a reasonable upping of minimum wages?

Secretary SCHWELLENBACH. Yes, sir.

Senator ELLENDER. You realize that is an advance of more than 60 percent over the present rate.

Secretary SCHWELLENBACH. No; I do not think that is correct.

Senator ELLENDER. How is that?

Secretary SCHWELLENBACH. I do not think that is correct.

Senator ELLENDER. It is now 40 cents. I am speaking of the legal rate.

Secretary SCHWELLENBACH. It is a statutory advance of 62.5 percent; yes.

Senator ELLENDER. That is what I am talking about. It is a little more than 60 percent over the statutory rate.

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. Do you consider that reasonable?

Secretary SCHWELLENBACH. Yes. I do not agree with you that it results in an actual increase of 62.5 percent, because, as I pointed out, the numbers that are receiving less than 55 cents are comparatively low.

Senator ELLENDER. That is under present war conditions?

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. Some are now attempting to write into the law a minimum wage of 65 cents for the first year on up to 75 cents at the end of the third year. During the war, when we had full employment, the minimum was fixed at only 55 cents. I am just wondering what is going to happen if you now make it 65 cents and progressively to 75

cents after two years when under full employment during the war we reached a goal of only 55 cents?

Secretary SCHWELLENBACH. I do not quite understand where the question leads.

Senator ELLENDER. How do you expect industry in the future, when there may not be full employment, to pay a minimum of 65 cents when only recently, in the last 2 or 3 years, with full employment, with all the wheels of industry turning, the minimum was raised to only 55 cents. Do you expect conditions to get better so that industry can pay more after the war than during the war? Is that your argument?

Secretary SCHWELLENBACH. I do not think you can say just because industry did not pay 65 cents during the war that they could not have paid 65 cents during the war.

Senator ELLENDER. What effect do you think the raising of the legal minimum by over 60 percent will have on industry itself, particularly the part of industry which is engaged in the manufacture of clothing, the canning industry, and manufacturing of that kind?

Secretary SCHWELLENBACH. I do not believe it is going to have any difficult effect upon them.

Senator ELLENDER. You do not?

Secretary SCHWELLENBACH. No. I was here in 1938, and I remember what we were told, what the effect was going to be when we put it at 40 cents.

Senator ELLENDER. I can tell you what the effect was in New Orleans on the clothing industry. We had, as I recall, four large factories there that manufactured wearing apparel and there is only one left; the rest have closed.

Senator AIKEN. Because they did not think they could afford to pay the 40 cents?

Senator ELLENDER. That is correct, according to the correspondence I have had on the subject. It all came about when under the law the minimum wage was upped from 30 to 40 cents almost overnight. The law contemplated a gradual rise to 40 cents over a period of several years, but instead of taking that course, I think 2 years after the law was enacted the minimum wage was jacked up to 40 cents by the industry committee which was composed principally of northern representatives. As soon as that was done I know that one of the leading manufacturers of cotton goods, located in New Orleans actually closed.

Senator AIKEN. Can they buy for less in New Orleans than they can in Washington, or Boston?

Senator ELLENDER. I assume so. The cost of living is not as great. Rents are not as high and the fuel bill to keep warm in the winter is much less.

Senator TUNNELL. What are the number of hours worked in a week in New Orleans?

Senator ELLENDER. Now?

Senator TUNNELL. Yes.

Senator ELLENDER. 40 hours. Now, I am not the witness; I am not prepared to go into too many details. I will cheerfully answer any questions that I can.

Senator TUNNELL. What I was getting at—and I will ask this directly so there will not be any question as to the propriety of it: Mr. Secretary, is there any difference, so far as the statistics show, in the prices for living commodities in the North and in the South? Can you answer that, or is that a question that some other witness will answer?

Secretary SCHWELLENBACH. I think Mr. Hinrichs will answer that question. He is prepared fully to answer all the questions on statistics. I am not a statistician.

Senator SMITH. I would like to ask, Mr. Secretary, whether, in arriving at the 65 cents, you studied the variations in living costs throughout the entire country?

Secretary SCHWELLENBACH. We did.

Senator SMITH. You think that the 65-cent figure that you arrived at could be met by industry throughout the entire country?

Secretary SCHWELLENBACH. That is the conclusion that I reached. Now, the presentation of the detailed figures will be made by Mr. Hinrichs.

Senator SMITH. I hope the figures are put in the record. I am interested in it to the extent that you are not putting some areas of the country in the position where they cannot employ people at that wage.

My further question is whether you will present the relationship of the collective bargaining question to the statutory wage increase?

Secretary SCHWELLENBACH. Mr. Walling is going to present that in detail, and the experience that the Division has had in regard to that.

Senator SMITH. Making allowance for the difference in conditions in the different sections of the country, I am wondering how far we should go in raising the floor here and how far it will interfere with collective bargaining, which seems to me to be of first importance in labor relations.

Secretary SCHWELLENBACH. I think you will find at least the two leading organized labor groups are in favor of this bill.

Senator SMITH. Both A. F. of L. and C. I. O.?

Secretary SCHWELLENBACH. That is my understanding.

Senator SMITH. I would be interested in that.

Senator ELLENDER. Mr. Secretary, pursuing the line of questioning I submitted a while ago, do you know why it was that the minimum wage was not made higher during the war than the 55 cents agreed upon?

Secretary SCHWELLENBACH. You mean as an economic proposition?

Senator ELLENDER. During the war we had full employment and the cost of living was fairly reasonable. Have you any idea why it was that the minimum wage was not actually fixed at 65 cents, as you now propose should be done by law?

Secretary SCHWELLENBACH. A very large percentage was between 55 and 65 cents, you understand that.

Senator ELLENDER. I understand that, but what I am asking about is why the wage was not made 65 cents instead of the 55 cents actually agreed upon.

Secretary SCHWELLENBACH. It is just a matter of bargaining between employers and employees.

Senator ELLENDER. How is that?

Secretary SCHWELLENBACH. It was just a matter of bargaining between employers and employees. If you are going to have a minimum wage you have got to take into consideration the element of desirability of a certain amount.

Senator ELLENDER. The minimum wage of 55 cents must have had some basis, otherwise it would not have been agreed upon; isn't that true?

Secretary SCHWELLENBACH. Yes; that is true. When it was down below 25 cents it presumably had the same sort of basis and we fixed it at 40 cents.

Senator ELLENDER. Yes. I am speaking of the basis that moved those in power to make it 55 cents during the war. I am wondering what your basis is for making it 65 cents after the war?

Secretary SCHWELLENBACH. Those in power, you understand, during the war did not fix any minimum wage or any maximum wage, except on the matter of inflation during the war period. They worked out what was known as the Little Steel formula and held the line at a certain amount. The cost of living went up beyond that.

Senator ELLENDER. I understand. But you do not anticipate the cost of living will rise unless the wages rise, do you?

Secretary SCHWELLENBACH. There are a number of elements that make up inflation, including the item of cost of labor. I do not believe that this particular raise in this type of wage level will result in inflation; no.

Senator ELLENDER. Will you not agree that it will cause a rise in the cost of living?

Secretary SCHWELLENBACH. In a very narrow field.

Senator ELLENDER. What field is that?

Secretary SCHWELLENBACH. The field in which you are interested, I will admit.

Senator ELLENDER. How about agricultural wages? Don't you think this is going to have the effect of raising agricultural wages, particularly in the South, to a greater amount than they now are?

Secretary SCHWELLENBACH. Agricultural processing wages; yes, sir.

Senator ELLENDER. Then there will be competition between wage earners who work in agricultural processing and in the fields. As you know, during this war, there was much competition for industrial workers, and it was difficult for the farmer to obtain workers. I received a letter from a Nebraska potato farmer who stated he had to pay as much as $15 a day for labor to gather potatoes, because of the competition that existed between industrial labor and farm labor. You grant that that was the case, don't you?

Secretary SCHWELLENBACH. Yes; that certainly is true.

Senator ELLENDER. If that be true, cannot you see it is bound to increase the cost of agricultural labor, and with that it will increase the cost of farming, and with that an increase in the cost of living?

Secretary SCHWELLENBACH. No; I do not think that necessarily follows. I think that situation, as I said to Senator Aiken, is a temporary one.

Senator ELLENDER. Mr. Secretary, do you believe that it is possible to maintain present prices or the present cost of living, I should say, and at the same time increase wages as proposed by the bill under consideration? Do you think it is possible to do so?

Secretary SCHWELLENBACH. Yes; I do.

Senator ELLENDER. I wish you would tell us how.

Secretary SCHWELLENBACH. Because every time you increase your wage levels you find a higher amount of productivity. You do not just simply add on and translate that into prices. Industry finds a way, and always has found a way, to convert higher wages into higher productivity.

Senator ELLENDER. Let us take our present legal minimum wage of 40 cents, and let us assume that the war had not occurred and that in 1940 we had increased the wage to what you now propose, to 65 cents or over 60 percent. Do you mean to say that that would increase productivity in proportion to what the wage was increased?

Secretary SCHWELLENBACH. No. If you simply had a 40-cent level and everybody was getting 40 cents or less, I do not think you could justify an increase now of 62.5 percent, but there is just one weakness in your question, and that is you assume that the war did not occur and the fact is we did have a war.

Senator ELLENDER. You say, however, by paying more wages it means more productivity. It means more incentive for labor, as I understand, for the man who works, and thereby his productivity is increased.

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. I do not mean to impose on you in a field not covered by your writtten statement, and if the question I am going to ask cannot be answered by you, I will ask it of someone else. Where did you get your information, or may I ask, how did you come to the conclusion that 65 cents was the rate that should be fixed as a minimum wage for the first year, 70 cents for the second year, and 75 cents for the third year and thereafter?

Secretary SCHWELLENBACH. Well, it was suggested originally—I am not being facetious—it was suggested originally by Mr. Pepper, Mr. Kilgore, Mr. Myers, Mr. Wagner, Mr. Chavez, Mr. Magnuson, Mr. Guffey, Mr. Mead, Mr. Murray, and Mr. Thomas of Utah. My task was simply to examine their suggestion and see if I agreed with it.

Senator ELLENDER. Suppose they made it 80 cents—I know some would like to see it 80 cents now—would the fact they are advocating it lead you to the belief that it was the true minimum?

Secretary SCHWELLENBACH. No; although I do have considerable confidence in those gentlemen.

Senator ELLENDER. How is that?

Secretary SCHWELLENBACH. I do have considerable confidence in those gentlemen.

Senator ELLENDER. Yes.

Secretary SCHWELLENBACH. Suppose they said 80 cents; certainly I would not be forced to accept it as the true minimum, if the figures did not justify it.

Senator ELLENDER. Senator Smith had asked you the question a while ago as to whether or not you had studied the effect that this minimum wage would have all over the country. I recall when I first came in the Senate—and you were in the Senate when I first came there—we had WPA legislation up, and I recall very well that the workers in the South who did the same chores as the workers in the North and Northwest and Northeast, who handled the wheelbarrow the same way, who ditched here and there, were paid, I think, $19 a month in contrast to the fellow from the Northeast who got $44, and the fellow from the West who got $54, as I recall. In any event, there was a great difference in the amount of wages paid to the various WPA workers throughout the country, depending upon the section of the country in which they lived. I think that the distinguished witness voted for a proposition of that kind. Isn't that true, Mr. Secretary?

Secretary SCHWELLENBACH. I do not think we ever had the wage differentials of WPA up.

Senator ELLENDER. Yes; we did.

Secretary SCHWELLENBACH. There was a lot of discussion about it in the Senate.

Senator ELLENDER. I remember distinctly that I tried, and many other Southereners tried, to get a few more crumbs than the $19 that WPA workers were getting down there.

Senator TUNNELL. I would like to ask if there is any difference in the value of the work between the southern worker and the northern worker?

Senator ELLENDER. I think the war has shown that in the South they are equal to any of the workers of the North, and they are surpassing many of them. It is a nice thing to keep in mind that a lot of your Northeast industries have found their way down South.

Senator TUNNELL. They are looking for lower wages.

Senator ELLENDER. I would not say that; I would say it is because they had better opportunities.

Senator TUNNELL. That is what they say.

Senator ELLENDER. One of the main inducements that caused them to go down there was because they went where the raw material was—the cotton. That is why a good many cotton mills went down there. On the other hand, labor was more plentiful and living conditions were cheaper.

Senator TUNNELL. Then, you agree, Senator, that being the case, that the minimum wage should be the same all over the country, that is, the level of wages should be about the same, if the workmen are equal in ability?

Senator ELLENDER. Certainly; there is no doubt about that. I am not questioning that at all. But, aside from other objections that I will discuss in the course of these hearings, the thing that bothers me is the sudden upping of the wage, you understand, that I fear will be destructive. It will cause the same situation as we had when the original Wage and Hour Bill was passed in 1938. I was on the committee that considered the bill; I was present when the hearings were held that formed the basis of that law, and I was on the conference committee. I believe that a very good case was made to show that the South at the time could not stand a shift in basic wages, or minimum wages, I mean from 25 to 40 cents, unless some transitional period occurred.

Senator TUNNELL. What do you think is the basic reason for the wage differential, and particularly the agricultural wage differential, between the South and Northeast and West?

Senator ELLENDER. For one thing, there is this difference: There is more employment in the South the year round than you have in the North. If we had to handle our farms in the South as they are handled up North, we could afford to pay higher wages down there because we would employ hired help for a much less period of time to do the job. In order to retain labor they must be employed the year around.

I paid my way through college by working in North and South Dakota wheat fields. Farmers worked about 6 months of the year, and the rest of the time because of the cold winters the ground could not be worked and they had a hard time keeping their livestock from freezing. There was not constant work for all hired help the year round

and the farmer-owner did not give employment the year round. In the State of Wisconsin, also in the State of Minnesota and, I imagine, in your State, a farmer cannot work the year round because of the cold. In the South, as I have indicated, we have more continuous employment. Most hired help live on the farm and it is necessary to give steady work.

A bricklayer, or a carpenter, does not get as much per hour in the South as he would get in the North, because in the South the employment is more steady. Half of the time, or I would say one-third of the time, a bricklayer in the North cannot work because of weather conditions. Mortar freezes. Carpenters cannot get steady employment for the same reason.

Senator TUNNELL. If he lays as many bricks, why should not he get the same pay?

Senator ELLENDER. If he lays as many bricks in 9 months as the one in the South lays in 12 months, I think they should be paid on the same basis.

Senator TUNNELL. You mean on an annual basis?

Senator ELLENDER. Yes. That is one of the reasons why I fear that sufficient study has not been given to the proposition of making a minimum wage apply all over the country.

Senator AIKEN. I want to dispel any idea that the North does not work the year round.

Senator ELLENDER. Senator Aiken, that may be true as to the farmer himself, the individual owner.

Senator TUNNELL. I might suggest to the Senator if he moves North a little more, on one of those farms, he will find they work pretty much the whole year.

Senator ELLENDER. I grant that as to the farm owner himself, but I am talking about the laboring man, the hired help.

Senator TUNNELL. The farmer does not grow in winter in the South, does he?

Senator ELLENDER. Yes. In South Dakota I recall working for a farmer where it required 28 men to operate the farm for a period of about three months in the summer. Do you think he needed the 28 men in the wintertime?

Senator TUNNELL. There are seasonal occupations both in the North and South, and when you have seasonal crops in the South you have seasonal occupation.

Senator ELLENDER. We have more continuous employment.

Senator TUNNELL. Some of you do and some of you do not.

Senator ELLENDER. The vast majority of them do. There is always something to do on a farm in the South. I do not mean only by the management but by the many, many employees who are hired on a yearly basis.

Senator AIKEN. What the Senator says is true in regard to wheat and perhaps cotton. It is not true of dairy farming, where you require the same amount of labor the year round.

Senator TUNNELL. Mr. Secretary, is there any ground for the different minimum wage in different sections of the country, or has that question been considered?

Secretary SCHWELLENBACH. No; I do not think so. We go back to the same argument that we went through in 1938, about differentials and the objections which the members of the Senate from the South

had. If we are going to build up a national economy on the basis of purchasing power sufficient to consume the products of our industry and agriculture, we cannot do it upon the basis of having one portion of the country say, "We just cannot go along with the rest of the country on minimum wage rates."

Senator TUNNELL. Notwithstanding my question, I agree with Senator Ellender, that the person in the South is entitled to as good a wage, as high a wage as the one in the North. Now, if there is a lower standard, is not that one of the things that we are trying to correct?

Secretary SCHWELLENBACH. Is it the Senator's position that we should have the same standard all over the country? I did not quite understand that that was his position?

Senator ELLENDER. I did not take that position, although I would like to see it. I do think before any minimum wage is written into law by the Congress that working conditions and the like ought to be considered as they exist in various parts of the country. As I indicated a moment ago, Congress went on record, since I have been in the Senate, that in the payment of wages for WPA workers there was a differential fixed between the South and the North and the West. Now, if conditions prevailed then as to cause that differential, my question is: Why should not the same thing prevail in respect to minimum wages? I want to know why. I would like to have the Secretary give us some evidence on the subject.

Secretary SCHWELLENBACH. I think the Senator will remember that my position always was against the wage differentials in WPA, and it was not those of us from the Northwest, at any rate, who were causing the differentials.

Senator ELLENDER. I do not pretend to know what the vote of the Senator was on that.

Secretary SCHWELLENBACH. I do not think we ever actually voted upon it. The thing I can remember is that we were always giving blank checks to Mr. Roosevelt and Mr. Hopkins, letting them do it. I made a speech one day criticizing the differential as between one portion of my State and another portion of my State.

Senator ELLENDER. I want the record to show that some amendment was put in and there was a vote on it. I remember it distinctly.

Secretary SCHWELLENBACH. You may be right.

Senator ELLENDER. As I recall, the usual handful of southerners who were adversely affected were the only votes for it. The Northeast, North, and West piled up on us and swamped us. What you are trying to do now is to make us take a dose which may eventually destroy a lot of southern industry, that has moved from the Northeast to the South. I am confident that it will deter further industrial expansion in the South.

Senator AIKEN. Is that why industry moved from the Northeast to the South, to get the benefit of the lower wages that prevailed there?

Senator ELLENDER. That may have been one of the reasons, but, as I said, the main reason was to get nearer the raw material markets. In other words, a lot of manufacturers said, "Why pay enormous rates to bring cotton to Massachusetts when we can build a factory around the cotton fields?"

Senator AIKEN. If that is the reason, why does not the wool industry move to Idaho or Colorado?

Senator ELLENDER. It might be cheaper to move wool than cotton. Wool is grown over a wider area than cotton. I did not go into that subject.

Senator TUNNELL. Let me ask you this: If the bill is for minimum wages only and if there is a variation, then it is not as to the minimum. The minimum, as I understand it, is being paid in all sections pretty largely. You say there are some violations. There are some industries that do not seem to be covered by it, but the minimum law is being met in one section as it is being met in another. The maximum is where there is a difference, as I understand it.

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. The minimum has been fixed by law the same all over the country, has it not?

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. Certainly. What the Senator is talking about is the 55 cents, I believe, that was made under WLB regulations through some most ingenious method. That is what you have in mind, is it not?

Secretary SCHWELLENBACH. No, I am just referring to the figures which will be presented showing the comparatively small percentages that are receiving less than 50 cents now, and that it is not a 62.5 percent increase in actual wages as at the present time.

Senator TUNNELL. What I am saying is that the minimum wage is not what is disturbing us now, because the minimum wage law is being generally observed, but there is a maximum much above the minimum which is required by law and which is being paid in many sections of the country; isn't that right?

Secretary SCHWELLENBACH. Yes.

Senator AIKEN. You stated, Mr. Secretary, that you did not think raising the minimum wage in accordance with this bill would raise consumer cost. I assume that you base your reasoning on the general level of cost, because it seems self evident that on items where the labor cost is high an increase in wages would result in some increase in the cost of those products.

Secretary SCHWELLENBACH. Yes; I said that to Senator Ellender, that there were items in which it would result in an increase.

Senator AIKEN. The fact that we have devised means of producing many items much cheaper than we ever did before would offset the higher price of those consumer goods where an increase in cost would be necessary?

Secretary SCHWELLENBACH. That is the position that Mr. Hinrichs will present to you.

Senator AIKEN. How much importance do you give to the maintenance of purchasing power in increasing the minimum wage of the country?

Secretary SCHWELLENBACH. Well, my philosophy is that in this country we can produce all that we need and that our problem is one of maintaining the power to consume. You cannot maintain the power to consume without purchasing power, and you cannot maintain purchasing power and have large segments of the population receiving less than is necessary in order to have a reasonable standard of living.

Senator AIKEN. Your theory, in brief, is that productivity without a market is no good at all; is that right?

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. Mr. Secretary, to follow through the question that Senator Aiken asked you about the cost, let us be a little specific. Do you mean to say that by increasing the cost in the cotton mills in the South by 60 percent that will not increase the cost of production?

Secretary SCHWELLENBACH. We are talking now about the danger of inflation, that phase of the question. I insist that we have to take the figures as they now exist and not the figures that existed in 1938.

Senator ELLENDER. You do not expect that the cost of production will be maintained now as during the war, do you?

Secretary SCHWELLENBACH. Not in the lines in which it was being maintained during the war. We are hopeful that we can reconvert and keep everybody at work, and we can only do that if we have purchasing power in this country. We cannot maintain that purchasing power and have a lot of people getting substandard wages.

Senator ELLENDER. Have you any idea, or have any of your statisticians figured out how much more it will cost to clothe and feed an individual now than it did before the war?

Secretary SCHWELLENBACH. Yes. Mr. Hinrichs will present those figures. The figures are not available as a complete set of figures. There are so many elements that must be taken into consideration and that cannot be found out, but he will present, in the fields in which there can be reasonably accurate statistics, the answer to that question.

Senator ELLENDER. You still insist that increased wages to the extent that you now propose to do will not increase the cost of living?

Secretary SCHWELLENBACH. Except in a very narrow field, which will be explained to you by Mr. Hinrichs. I am frank to admit that this situation must be taken into consideration and weighed against the maintenance of purchasing power in this country by increasing the wages of these people.

Senator ELLENDER. Have you any idea as to the proportion of the cost of labor in the manufacture of, let us say, canned goods or wearing apparel, from the time it leaves the cotton field or the wool farm, if it is wearing apparel, to the time it is distributed, and then the cost of canning tomatoes, things of that kind, from the time it leaves the farm until it reaches the consumer?

Secretary SCHWELLENBACH. I haven't now. I remember for a number of years every Wednesday morning in the Committee on Agriculture, we would hear a detailed statement about that from one of our friends on the committee, and I did know all of the figures at that time, but I do not remember them now.

Senator ELLENDER. And the old man was probably right, the man you had in mind, was he not?

Secretary SCHWELLENBACH. Well, we disagreed with him on a number of things.

Senator ELLENDER. I just cannot get into my head the conclusion that you have reached—the statement that I saw in print on two or three occasions, the one that caused, I believe—the retirement of Mr. Davis—that wages can be considerably increased without increasing the cost of production. I believe Mr. Davis denied he made the statement that wages could be increased 50 percent without increasing the cost of production. However, he is an advocate of increased wages; he is one who went to the extreme, as I recall it, when he allegedly made the statement that we could increase wages up to 50 percent without in any manner interfering with the cost of production, or increasing the cost of living. I am quoting what I saw in the newspapers. How any man can come to that conclusion, I just cannot see.

Senator TUNNELL. Here is something I would like to know. I do not know whether you are the one to ask it of, or whether Mr. Hinrichs is the one, or someone else. The question that Senator Ellender asked is based on the assumption that wages now are 40 cents an hour and he says this bill will raise those wages more than 60 percent. Now, if the wages are 40 cents an hour we should know about that, and if they are more than 40 cents an hour I would like to know that. I would like to know how much of a change it is. For myself I would like to know to what extent the minimum of 65 cents would in fact raise present wages.

Secretary SCHWELLENBACH. Well, Mr. Hinrichs has figures as to employees receiving from 40 to 45, 45 to 50, 50 to 55 cents, and the percentages and numbers of people in manufacturing who are receiving those wages at the present time. They will be presented to you very definitely. That is where I cannot agree with the Senator from Louisiana when he talks about this being an increase of 62.5 percent in wages. It is not.

Senator ELLENDER. I am talking about the minimum fixed by law. I will not be too certain about this, but as I recall the sugar factories in southern Louisiana have been paying the minimum of 40 cents and I believe they will pay up to 45 cents this year. I am not certain about that, but I believe it is 45 cents. If you increase the minimum to 65 cents, don't you know it is bound to increase the cost of producing sugar? Don't you know unless they can get more for their sugar it is going to affect the economy of those factories?

Secretary SCHWELLENBACH. You are asking me to assume they are only paying 45 cents, I do not know that. That is like asking me to assume it is 40 cents and going up from there to 65 cents. Taking the over-all picture, there is not an increase of 62.5 percent.

Senator ELLENDER. I may be wrong about that, but it is my understanding that during the last winter the minimum wage paid in the sugar factories was either 40 or 45 cents an hour. Now, assuming that that is true, by forcing those people overnight to pay 65 cents an hour, don't you know that it is bound to increase their cost of production?

Secretary SCHWELLENBACH. Assuming all of your facts to be correct, yes, but I am not willing to accept the assumption. You say the minimum paid in certain sugar factories is 40 cents. Now, until you know what percentage of the employees of that sugar factory were getting 40 cents and what percentage were getting 45 cents, what percentage were getting 50 cents, what percentage were getting 55 cents, and what percentage were getting 60 cents, you do not have any accurate picture as to whether or not there is a real relationship between the cost of production and an increase to 65 cents. I cannot answer until I get those other facts.

Let us carry it to an extreme, let us suppose that out of 500 employees there were only 10 getting 40 cents, and a comparatively

small number 45 cents—the figures which will be presented on the over-all picture will show very small percentages receiving those amounts—until you know what percentage in the sugar business receive the 40 cents and what percentage receive 45 cents, nobody can answer you as to whether it will have any effect on the cost of production.

Senator ELLENDER. Unless you know the number employed, I grant you that.

Secretary SCHWELLENBACH. Yes.

Senator ELLENDER. Let me go just a step further back, to the production of raw material to make that sugar. Today, the wage is around $3 a day in the fields, in the harvesting of sugarcane, as against $1.75 2 years ago. Now, don't you know that by increasing the cost of harvesting to that extent it does increase the cost of production considerably?

Secretary SCHWELLENBACH. Undoubtedly.

Senator ELLENDER. And don't you know that the Federal Government had to come in and subsidize in order to meet that difference? Now, suppose the Government does not come in and subsidize, as in all probability it will not after June 30, 1946, what is going to become of your producer of sugar if he is compelled, because of competing with industrial labor, to continue to pay the $3 per day for sugarcane field labor? At the moment, the farmer receives $3.80 a ton and subsidies to the extent of about $3.50 for his raw cane. How can he maintain himself unless his prices are considerably raised? Or, may I say, unless the consumer pays a higher price for sugar?

Secretary SCHWELLENBACH. You are going right back to the assumption in one of your earlier questions that I refuse to accept, that the present agricultural labor situation is going to continue as a permanent situation. You are just assuming that there will still be competition. I was not here, but my understanding from reading the newspapers way out where I was is that one of the bases of the claim of agriculture for subsidies was that through the war effort the Government was going in there and taking your agricultural labor and you had to pay more for it, and since the Government was taking them for the war effort therefore the Government should subsidize part of your cost.

Senator ELLENDER. That is right.

Secretary SCHWELLENBACH. I do not think you can assume, as you do assume in your question, that the same situation will exist now that the war is over.

Senator ELLENDER. And why not? If you have full employment, as you are now proposing to do in the bill that we are discussing today in Congress? Will not there be competition between field laborers as against industrial laborers? Are not they going to seek to get the best wage possible for their work?

Secretary SCHWELLENBACH. If we can have full employment, as envisioned by the full employment bill, we will have purchasing power in this country sufficient to purchase the products of agriculture and you will not be worried about that question.

Senator ELLENDER. I predict then, that it will be necessary for you to go down the line and increase the cost of producing what the workingman wears and what he eats, so that with a minimum of 65 cents

in the long run he will not be better off than with the minimum of 40 cents or 55 cents he is now receiving.

And here is something else that is going to occur, to my way of thinking, if we continue to raise wages and, in turn, to raise the cost of production: A time will come when we will not be able to compete with foreign countries in obtaining foreign trade. I believe that both industry and labor ought to try to work it out from this point of view, to maintain our standard of living by reducing the cost of production.

Now, I pose this question to you: Insofar as the standard of living is concerned, what difference does it make if I can buy for $5 today what 6 months ago cost me $8? That does not in any manner affect the standard of living, and yet it does have this effect: It makes it possible to reduce the cost of production so that we can obtain a fair share of foreign trade and at the same time take up the slack in unemployment. I can foresee, as Secretary Wallace has said on many occasions, that if we can develop a foreign trade to the extent of ten billion dollars that will mean 5,000,000 employees that can be taken care of in this country. But I say to you if we continue to raise wages here and there in an effort to raise the standard of living, that is simply going to make it so that, in my opinion—I may be all wrong—the cost of production will be so great that we will not be able to get our fair share of foreign trade.

Senator TUNNELL. Let me ask this: When you are taking it from the laborer, are you not holding down the standard of living of the people who are doing the work?

Secretary SCHWELLENBACH. Was that a question?

Senator TUNNELL. Yes.

Secretary SCHWELLENBACH. My answer is "Yes." Of course, the Senator from Louisiana and I for 4 years used to have these arguments every Wednesday morning in the Committee on Agriculture, and I have not enjoyed anything so much for a long time as I have this morning. While we disagree, I have the highest respect for his point of view.

Senator AIKEN. Mr. Secretary, Senator Ellender was showing some concern over what would happen in the sugar industry if the minimum wage is raised. Is it not a fact that the sugar industry was subsidized before the war when the minimum wage was 40 cents an hour?

Secretary SCHWELLENBACH. Yes, that is true.

Senator AIKEN. Do you think it may be necessary to subsidize some industries after the war in order to assure a safe amount of production in this country? It comes to my mind the Senator from Louisiana was the principal advocate of subsidies on the Committee on Agriculture. I am wondering why the same remedy that did good, in his opinion, during the war could not also be equally good after the war, if it is found necessary?

Secretary SCHWELLENBACH. I do not think, as the Secretary of Labor, it is within my province to answer that question, and I do not think that I should answer the question.

Senator AIKEN. I think you mentioned you were on the Committee on Agriculture.

Secretary SCHWELLENBACH. Yes.

Senator TUNNELL. I remember the question of sugar subsidies was raised 50 years ago.

Secretary SCHWELLENBACH. Yes. I do not like to answer the question because it is entirely outside of my province.

Senator TUNNELL. Are there any other question of the Secretary?

Senator SMITH. I would like to ask one question, Mr. Chairman.

Senator TUNNELL. Yes.

Senator SMITH. Do you think, Mr. Secretary, that along with the question of raising wages we have to take into consideration the matter of price ceilings, in other words, price controls? Do you think price controls are consistent with our attempt to raise the standard of wages?

Secretary SCHWELLENBACH. I think there is nothing inconsistent, as far as this raise is concerned, with price controls. This does not mean raising the roof; it is simply putting a floor under constructive wages. If this meant a general raise all over I would have to agree with the Senator from Louisiana that it would inevitably raise the cost of production, and inevitably we would have to take off some price controls. I think this is a slightly different question. Here you are simply putting a floor below which we should not go, for a decent living, in paying our workers.

Senator SMITH. What I want to get at is whether figures are going to be shown that can be applied country-wide without interfering with employment. It would be more serious if a man had to go out of business because this went into effect. Unemployment is much more serious than lower wages.

Secretary SCHWELLENBACH. Of course, you are going to hear the argument made, no doubt, that the adoption of this bill will result in serious unemployment. We heard exactly the same argument when we passed the original bill. While there have been, as Senator Ellender points out, certain instances of closing, there certainly have not been anywhere near what we were told when we passed the original bill. The adoption of the minimum wage law has not harmed industry in this country at all. I think you must take the history of the last 7 years into consideration, as to the effect on industry during that period—probably eliminate the war years, but take the history up to the time of the war. We were told in 1937 it would result in widespread unemployment if we put in a 40-cent minimum. I am sure the committee wants to hear all of the testimony and will give consideration to such testimony, but I suggest, in evaluating that testimony, you should take into consideration what we were told when we passed the original act and the results that actually occurred after the passage of the original act.

Senator SMITH. I want to see that evidence. I agree with you, we want to raise the standard of living of our people, and we also want to raise the consuming power so we can consume what we produce. Those things are interrelated. Whether you can dissociate that from the price business is a question to me. We are going to have a real problem there. I have never been convinced you can run it all by Government control. I question in my own mind now whether we should continue price control, or whether we are in any danger if we do not. You talk about runaway inflation and talk about price control, but I think if the law of supply and demand were allowed to move in, it might be wiser.

Senator ELLENDER. Mr. Secretary, did I understand you to say price control is not inconsistent with the raising of the wages as provided in this bill?

Secretary SCHWELLENBACH. Yes, I do not think there is anything inconsistent with it.

Senator ELLENDER. In other words, we will be able to maintain the prevailing ceiling even though we increase the minimum wage to 65 cents. Now, as a matter of fact, isn't it true, or doesn't it follow, that if you increase the minimum wage, let us say, from 50 or 55 cents to 65 cents, that those in the upper brackets, by collective bargaining, will ask for an increase for equally as much to be fixed for them as a raise?

Secretary SCHWELLENBACH. Yes, I assume they will ask for it.

Senator ELLENDER. Very well. Now, suppose our price controls are removed and we eliminate subsidies; don't you know in that case the cost of living is going to increase considerably?

Secretary SCHWELLENBACH. Yes, if we can assume all the things you assume or that you predict, undoubtedly the cost of living will go up.

Senator ELLENDER. What is that?

Secretary SCHWELLENBACH. If we can assume all of the things you assume and predict, undoubtedly the cost of living will go up.

Senator ELLENDER. You do not think Congress is going to continue a subsidy for farmers of almost $2,000,000,000 a year, do you?

Secretary SCHWELLENBACH. I do not know. I cannot answer that question.

Senator ELLENDER. I predict the cost of living is going to rise to such an extent that it is going to absorb all you are trying to do now for labor, and then some.

Senator TUNNELL. Your position, as I understand it, Mr. Secretary, is based on the fact that you distinguish between the legal minimum and the actual payments?

Secretary SCHWELLENBACH. Yes, sir.

Senator ELLENDER. All of which is born out of war.

Senator TUNNELL. Not all of it.

Senator AIKEN. Mr. Secretary, if you assume this great increase in cost of living, assuming all of the things which Senator Ellender assumes came to pass, you would also have to assume there would be no improvement in production, processing, and distribution machinery; isn't that true?

Secretary SCHWELLENBACH. Yes, that is correct.

Senator AIKEN. And we know there has been a development in the processing and distribution of food products that has done away with a great deal of the loss which had formerly occurred in the shipping and processing of strawberries. If, as he says, raising the minimum wage increases the price of sugar slightly, that would be balanced by the fact that the development of new processes of preserving strawberries and other foods that require sugar would be so much more efficient that it would offset the increased cost of sugar itself. I think, again, I am testifying instead of interrogating.

Senator TUNNELL. Senator Thomas has been very silent here, and I thought I would like to ask if he has any questions.

Senator THOMAS. I think, Mr. Chairman, maybe I ought to say this: The minimum wage is never anything that is for the benefit of all workers in all industries. When we passed the Fair Labor Standards Act, the average wage earner who was properly organized was way

above the 25-cent minimum, so the law did not do him much good, but it did do a great deal of good to the exploitable and exploited, very low paid labor. I think if you do not look upon the aim of this bill as taking care of the group that is not able to take care of itself, that we forget the real purpose of a minimum wage. Now, we know that there were, comparatively speaking, very few people who were getting less than 25 cents an hour when we passed the act, but we also knew that there were thousands of persons who were getting less, and the act was for their benefit.

This act, too, has its humanitarian aspects. The person who is already getting 75 cents an hour is not going to get any benefit from it, but the person who is just getting 40 cents is going to be benefited by it.

Senator SMITH. May I ask the Senator a question right there?

You suggest that those benefited are really those outside of the labor organizations which can adequately bargain to protect their own members?

Senator THOMAS. In presenting the bill to the Senate that statement was actually made, Senator. It was made in this way, that where collective bargining has been able to function, and it has functioned, this bill would not be helpful, but the bill is helpful to those persons who cannot use the agencies of collective bargaining.

Senator SMITH. I agree with you. I think women in the sweatshops may not be organized and such poor people may be exploited where the employers are ruthless.

Senator THOMAS. The take-home piecework, for example, in the manufacture of baseballs is an extremely interesting item of that kind.

Senator TUNNELL. If that is all, thank you, Mr. Secretary. We will ask that Mr. Hinrichs be the next witness.

TESTIMONY OF A. F. HINRICHS, ACTING COMMISSIONER OF LABOR STATISTICS, ACCOMPANIED BY DR. DOROTHY S. BRADY, COST OF LIVING DIVISION, AND DR. ROBERT J. MYERS, WAGE ANALYSIS DIVISION

Senator TUNNELL. Mr. Hinrichs, will you give your name and position to the stenographer?

Mr. HINRICHS. A. F. Hinrichs, Acting Commissioner of Labor Statistics.

Senator TUNNELL. All right, Mr. Hinrichs, you may proceed.

Mr. HINRICHS. Mr. Chairman, with your permission, I would like to introduce Dr. Dorothy S. Brady, the Head of our Cost of Living Division, and Dr. Robert J. Myers, who will be here in a moment, in charge of our Wage Analysis Division. I shall be talking chiefly about the cost of living and wages as they bear upon the problems of the bill, and while out of 10 or 12 years of experience in the Bureau of Labor Statistics I have acquired a certain expertness in both of those fields, there may be certain questions that I would like to turn to my real authorities for a definitive answer.

Senator TUNNELL. I am glad to hear from those who really know.

Senator ELLENDER. Will you give us your background, Mr. Hinrichs?

Mr. HINRICHS. I have been with the Bureau of Labor Statistics since 1934. In the period from 1934 to 1940, I was the Chief Economist of the Bureau of Labor Statistics. One of my primary concerns throughout that period was with studies of the cost of living and studies of standard family budgets and of actual expenditures. The other of my chief concerns was with wage studies. Both of these types of data are included in my testimony today.

Senator ELLENDER. What is your educational background?

Mr. HINRICHS. I received my Ph.D. from Columbia University, New York City, in 1923. I taught for 2 years as instructor at Columbia. I was, for about 3 years, the director of research for the New York State Bureau of Housing and Regional Planning. I was on the faculty of Brown University from 1927 to 1934 as associate professor of economics and statistics, and simultaneously was director of the Brown Bureau of Business Research. Since 1940, I have been in charge of the work of the Bureau of Labor Statistics. During the war period I acquired a larger familiarity with the cost of living than I would have wished for, had I had my way during these last few years.

Senator ELLENDER. Have you ever worked on a farm?

Mr. HINRICHS. I have worked on a farm, but I would not like to say I have been dependent for my support on farm work. I worked as a boy on a farm.

Senator ELLENDER. Have you ever worked in a factory?

Mr. HINRICHS. Only for one summer.

Senator ELLENDER. The testimony that you are now giving is based purely on statistics that you and your force have gathered through the Department of Labor, as I understand it.

Mr. HINRICHS. Yes, with consideration of all other evidence that has come into the picture over some century or more of study of this problem of living standards. We would, for example, regard it as relevant to an appraisal of the emergency budget that I shall describe to you to know that back in 1790 in England there was a gentleman who developed a budget for which he pled very earnestly. This would have allowed every family oatmeal and milk. By general consent that kind of a budget today would be regarded as a rather inadequate living. It may be interesting to know however, that the emergency budget of WPA consisted, to the extent of more than 50 percent, of the equivalent of oatmeal and milk.

I presume it is the ultimate objective of minimum wage legislation to insure at least a minimum standard of living to the family of every regularly employed worker. In that connection, then, two questions are relevant to the establishment of a particular minimum wage:

First of all; Will the minimum wage yield a minimum standard of living?

Second, Is it practicable to establish such a minimum?

If I may, I would like to address myself first to the question of the cost of a minimum standard of living and its relationship to the wage rates set forth in this bill.

Senator TUNNELL. You are not going to confine yourself now to the written statement, I take it?

Mr. HINRICHS. I shall be glad to be interrupted, sir, at any time.

Senator TUNNELL. Just take your own course.

Mr. HINRICHS. I planned to move fairly closely with this written statement, but I am delighted to be interrupted at any time if a question arises. If further testimony is desired than that covered in the

written statement, I can answer at least certain questions from other data on the table before me.

I would like to start, so far as this minimum standard of living is concerned, with a statement of expert opinion. A minimum wage of 40 cents as established in 1938 could not have been regarded as adequate for the support of a family even at minimum levels. At that time a 40-cent wage might conceivably have yielded as much as $800 a year. That presupposes 2,000 hours of work at the 40-cent rate. It would be the exception rather than the rule that any man would have an opportunity to gain that much employment during the course of the year.

The lowest cost budget that I know anything about was an emergency budget priced by the WPA in 1935 and costing on the average $903 in 59 representative cities. By 1938 prices had risen, so that this budget would have cost about $925.

That emergency budget was not intended to result in adequate or safe living. It was in every sense a budget for an emergency in family living. It was described at the time as a budget which—

> might be questioned on the grounds of health hazards if families had to live at this level for a considerable period of time.

Even budgets planned for relief families were often more adequate, for relief agencies normally do try to provide for emergencies as they occur. This budget provided for absolutely no emergencies and would have been more likely than not to result in malnutrition. It is significant for our present purposes only because it demonstrates how utterly inadequate the standard permitted by 40 cents was.

In 1938, however, there were cases of wages of 10 cents an hour or less and many cases where less than 20 cents an hour was paid. Under such conditions it may have been necessary to limit the immediate goal of the act to the establishment of the 40-cent minimum. With reference to that goal it is clear that it was only a way-station on the road to a decent standard.

Senator SMITH. Mr. Chairman, may I ask a question right there?

Senator TUNNELL. Yes, Senator.

Senator SMITH. Are you distinguishing at all between the wages received by a man with a family and a man without a family?

How about a boy selling papers, or something, who may be glad to make a little money?

Mr. HINRICHS. I am talking throughout about the minimum cost for the maintenance of a family.

Senator SMITH. I wanted to get it straight. Might I ask you: Were the wages as low as 10 cents an hour where a person had a family to support?

Mr. HINRICHS. Yes, many. Simply because there are 130 million people in the United States, the number getting 10 cents was quite large even though that was not a common wage at that time; but wages in the cotton-textile industry, in the knit-goods industries, in lumbering operations, in tobacco stemmeries of 15 cents and less than 20 cents an hour were found in significant proportions. There was a rather large concentration of wages at that time in many industries at 20 to 25 cents an hour, and for many industries at that time 30 cents looked like big money. We do know of large numbers of instances where those low wages did constitute essentially the sole support of a family.

Where wages at the level prevail there is of course the most intense pressure on the wife of the family to supplement the family income, irrespective of her home duties and irrespective of the age of her children. Therefore as you go down the income scale among the chief earners, you do find increased participation in the labor market by women with infant children. That, I take it, is a condition that we would like to correct.

Senator SMITH. You feel if we can raise that minimum there would be less competition in the labor market and probably the alleged 60,000,000 job figure might be lowered?

Mr. HINRICHS. Yes, I am certain there would be less pressure on married women to come into the labor market.

Now, the bill you have before you, S. 1349, provides an immediate minimum of 65 cents and a minimum within 2 years of 75 cents an hour. These minima would permit of earnings for a fully employed worker of $1,300 now and $1,500 in 2 years.

Most of the discussion which I have heard in the last few minutes has centered around the 65-cent minimum. I have carried my own thinking in this presentation in terms of the relationship of the upper limit, the 75-cent minimum, to living standards. Please bear in mind, therefore, if I do not correct myself as I go along, that you are talking, when you say 65 cents, about the $1,300 standard.

The statistical evidence of the inadequacy of the standard that would be permitted by a $1,300 or $1,500 family income seems to me to be almost overwhelming. I think it can be said, and I would say as a matter of expert opinion, that for a family to obtain a minimum standard of adequacy a worker must either earn more than 75 cents an hour or must work many hours of overtime, or else two or more people in the family have got to have jobs.

Now all that I can say in my capacity as an expert with reference to that figure of $1,500 as a minimum is that we do not know how much more than $1,500 would be required. The Bureau of Labor Statistics is making a study of precisely this subject with funds appropriated for the first time this year, and the results of that study are not going to be available for a number of months.

We do know that an adequate budget costs more than $1,500, which is the immediately relevant question. I can suggest, from my experience and from our statistics, two tests of that statement. First of all, let us take the standard budget approach.

Senator AIKEN. Mr. Hinrichs, for what size family is the budget of $1,500 insufficient; a family of four?

Mr. HINRICHS. A man, wife, and two children. I would hesitate to say it was adequate for a man, wife, and one child; but I simply do not know how much higher you have got to go. I am thinking in terms of the family of a man, wife, and two children.

Senator ELLENDER. When you say a minimum of $1,500, you mean for city folks or country folks? Just exactly, what is your yardstick there in reaching that conclusion? What class of people or employees do you have in mind?

Mr. HINRICHS. We are talking about urban wage earners.

So far as the rural standard is concerned, I would prefer to have that described by the Department of Agriculture.

Senator ELLENDER. Let us say the rural wage earner, then. Let us take one living in Tennessee, in a town of 3,000, and one living in New

York City, what difference, if any, will you make in the budgets of two families, that are of the same number?

Mr. HINRICHS. The range of the difference of costs is very much narrower than it is ordinarily believed to be, Senator Ellender. I can identify the figures, as I shall in a moment in my testimony, as a range of $1,500 to $1,800 between the lowest cost city and highest cost cities of which we had any knowledge in 1943.

Senator ELLENDER. What population of cities do you have in mind?

Mr. HINRICHS. The $1,500 was Mobile; the $1,800 was related to New York City, Washington, D. C., and San Francisco.

Senator ELLENDER. Have you made any studies as to urban localities where the population is, say, 1,500?

Mr. HINRICHS. We worked back in 1935 and 1936 in a group of small towns both in the North and in the South. That study showed that the size of community may make at the most something like a 10-percent difference in the cost of the budget as against living in a large city.

Senator ELLENDER. When you say size of community, do you mean progressively? For instance, 1,500 persons, 5,000 here, 10,000 yonder, and 7,000,000 in New York? What do you mean by that? 10 percent of what?

Mr. HINRICHS. That budget costing, let us say, $1,500 in a city of more than 100,000 population might be expected to cost about 10, possibly 15, percent less in communities of 2,500. The break is by no manner of means as sharp as you would believe it to be. As a matter of scientific accuracy we were forced to note in our study that differences in costs in communities of the same size were so much greater than average differences for communities of different size considered as groups, that the latter differences could not be regarded as proved by the data. The most conspicuous difference in cost is the difference in rents in large and small communities. You also have some lower cost in the smaller town due to the possibility of using home-grown food. On the other hand, certain kinds of commodities are likely to cost more, not less, in the small community. Would I be correct, Dr. Brady, if I said furniture is an example of that sort of thing?

Dr. BRADY. Yes.

Mr. HINRICHS. You purchase that in a small community either at relatively high cost because of the low rate of turn-over in the store or else it is a substantial inconvenience to purchase it by going to the city, or else you have the alternative that is also open to the city family of purchasing at the same price from a mail-order house.

Senator ELLENDER. Do I understand the testimony you will give now is based on costs in Mobile and Washington?

Mr. HINRICHS. Among other evidence that I am offering, we have figures for Mobile and Washington. There are also figures for some 32 other large cities. All that I wanted to say here was that at the time that the WPA was developing this emergency budget, it also developed what was called a maintenance budget. At the time that the maintenance budget was developed it was perhaps a reasonably adequate standard to apply in answering the question of whether a given wage for common labor was adequate to maintain a family.

It is significant to note that in 1941, before prices began to rise substantially, that budget cost about $1,500. I am going back here to the period of 1941, in a discussion of the cost of that budget, because up to that time the dislocation of the market had been so slight that there was no question in anybody's mind of the ability of the Bureau of Labor Statistics to measure changes in the cost of living. The pricing of that particular budget was discontinued by the Bureau after June 1943, because we knew that under wartime conditions our figures for that budget were too low, and we could not safely estimate the cost of a maintenance budget without going out and doing a completely new pricing job from the ground up. At that time, namely in 1943, the cost of that budget, which we knew to be too low, was at least $1,500 in the city with the lowest cost, namely Mobile, and more than $1,800 in the highest cost city, which was New York City. The general average would have fallen somewhere in between, in the neighborhood of $1,700.

Now, I think much more significant than those figures which I have given are the results of a special analysis which we have just completed to serve the needs of this committee. We have studied at various times the expenditures and savings of urban wage-earning families, and we found that the average break-even point for urban families with two or more persons was about $1,425 in 1935–36, and about $1,475 in 1941, and $1,950, after income taxes, in 1944. We do not think that any drastic shift has occurred between 1944 and 1945.

Senator AIKEN. Mr. Hinrichs, do you include in these costs such things as dentists' bills and education?

Mr. HINRICHS. In that maintenance budget there was a small allowance for medical costs and for the costs of dental care. There was nothing for education. It was assumed that there were public schools, that all books and school supplies were free. If a family happened to have a talented child and wanted to give it music lessons they either arranged that through a settlement house or they took it out of their food budget, as some of them did.

Senator AIKEN. You assume children under 18?

Mr. HINRICHS. Yes.

Senator AIKEN. There was no allowance for sending them to business school or college?

Mr. HINRICHS. No. Now, these figures on the break-even point I think are extremely significant. Those figures mean that even in 1941 any large group of families with incomes of less than $1,475, which is just about the amount that would be permitted by the 75-cent minimum, that any large group of such families in the aggregate spent for goods and services more money than they received. Some families of course broke even and in some years they saved money, but, by and large, the pressure of living costs at those levels is so great that the group as a whole has gone into debt.

Now, I have not lived as factory worker, but I have lived among factory workers. I know something of the way in which the factory worker and his wife apportion their funds and I can assure you that insofar as my knowledge extends they are the most careful managers that I know anything about. Your farm families are also ex-

tremely careful managers. The low-income families of the United States are not wastrels. This business of running continuously into debt is one of the things which constitutes the major bugaboo for the wife of any wage earner. I know of no more significant test of the burden of a minimum standard of living than the point at which families go into debt and stay in debt on the average year-in and year-out because they are unable to get down to the point where they balance their budget. I tell you at the present time that the break-even point is running in the neighborhood of $1,950.

Now, I am talking about information derived from a small sample. I will not fight with you whether the break-even point is $1,900 or $2,000, or $1,800 even, if you like. I do tell you that the break-even point for families in the United States at present is substantially above the highest level fixed by the highest minimum wage proposed in this bill.

Senator ELLENDER. How did you go about sampling the families in these various cities?

Mr. HINRICHS. It was a very carefully selected sample. It is small, but drawn in a random fashion, which experts would agree would give you results which should be accurate within a comparatively small percentage. When I say that I do not want to insist that the break-even point is $1,950 rather than $1,800, I have gone far beyond the errors of sampling.

Senator ELLENDER. As to those that were in debt, as you say, or are still in debt, what was the cause of that? Did you find out what they were purchasing or what they were contracting to purchase?

Mr. HINRICHS. There were a large variety of factors that contributed to that. In a major emergency any large doctor's bill in a single year is very likely to throw the family over the borderline.

Senator ELLENDER. Was that the chief factor that caused it?

Mr. HINRICHS. May I ask Dr. Brady, who has great familiarity with the details, to continue with that?

Dr. BRADY. These figures, in the first place, apply to families of different sizes, and in addition to the group that would have large medical bills during the year and not be able to pay the doctor out of income of less than $1,500, at least to pay him completely, you have all of the families with large numbers of children spending more than their income at these low-income levels. In fact, if you were to take families of five you would find that the break-even point comes at an even higher level than this average of all sizes, families of two or more persons in the family. I think perhaps those are the two principal things. You will also find in the group of families below this break-even point, large numbers who actually are attempting to help their less fortunate relatives, such as parents who live in some other community, or sending home money to the family on the farm, and that type of thing. You will also find some of them doing what Mr. Hinrichs suggested a minute ago, attempting to help a child through business school or college. So, all of these things that are not provided for in our notion of what a minimum standard is in terms of budget

for a family of four help to throw families into the class that accumulates certain amount of debts during the year.

Senator TUNNELL. There is not a family that does not have some extraordinary expense, where a child breaks an arm, or eyes have to be examined, or sicknesses of some sort occur.

Dr. BRADY. And those things come almost at the rate of one extraordinary expense a year we find on examining these schedules, so you have to assume something is likely to happen each year.

Mr. HINRICHS. There is one final test that I think can be applied to the current adequacy of a $1,500 budget, which I am suggesting only because it is the top limit provided for in the bill. That test is the proportion of urban families now living on less than this amount. Nineteen urban wage-earner families out of 20 had more than this amount in 1941.

Senator ELLENDER. Nineteen out of 20?

Mr. HINRICHS. Nineteen out of twenty. That does not prove that present wages are adequate, for only about three out of five families with incomes of $1,500 to $2,000 achieved this level through the earnings of one worker. The other families had two or more persons working to earn less than a living wage between them. However, it seems to me that this figure of 19 out of 20 does mean if you consider the way families are living as any guide to the determination of adequacy, that $1,500 for a family is a very low standard to aim for.

Senator TUNNELL. Dr. Hinrichs, I hate to interrupt you. You can be back tomorrow, can you not?

Mr. HINRICHS. Yes, sir; at your convenience.

Senator TUNNELL. It is now 12 o'clock, and we all feel we should be back in the Senate at the convening of the session.

Mr. HINRICHS. May I insert the tables in the record, which bear on my last statement?

Senator TUNNELL. They may be inserted.

(The tables referred to are as follows:)

TABLE 1.—*Total money income—Urban wage and salary families of two or more persons: Percent with less than specified amounts of income (prewar and war)*

Annual money income	Percent of urban wage and salary families of 2 or more persons	
	Prewar 1941	War 1944 (preliminary)
Under $500	3.1	0.3
Under 1,000	13.0	2.1
Under $1,500	26.9	5.5
Under $2,000	46.3	13.5
Under $2,500	64.4	25.3
Under $3,000	79.3	39.0
Under $5,000	95.5	81.0
All urban wage and salary families of 2 or more persons	100.0	100.0

Source: U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C., Sept. 24, 1945.

TABLE 2.—*Income, savings, and expenditures: Average amounts reported by urban families of 2 or more persons, by annual money income after personal taxes—1944 (preliminary)*

Annual money income after personal taxes [1]	Money income after tax payments	Savings or deficit (−)	Money expenditures for current consumption						Gifts and contributions	Personal taxes [2]	Average number of persons per family
			Total	Food	Clothing	Housing, fuel, light, and refrigeration	Transportation	Other			
$500 to $1,000	$757	−$325	$1,052	$434	$80	$251	$39	$248	$30	$26	2.45
$1,000 to $1,500	1,248	−203	1,405	555	163	297	54	336	46	32	2.78
$1,500 to $2,000	1,788	−67	1,789	701	235	341	85	427	66	86	3.03
$2,000 to $2,500	2,265	128	2,051	797	283	395	119	457	86	180	3.10
$2,500 to $3,000	2,776	244	2,413	913	364	430	157	549	119	270	3.13
$3,000 to $4,000	3,478	525	2,834	1,042	461	487	180	664	119	402	3.69
$4,000 to $5,000	4,381	736	3,442	1,150	624	547	264	857	203	559	4.01

[1] Data for families with incomes under $500 and more than $5,000 not yet available.
[2] Personal taxes have been deducted from the income figures shown in column 2. Total money income may be obtained by combining the amounts shown in the two columns.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

TABLE 3.—*Earners per family Urban families of 2 or more persons, by number of earners, by annual money income—1941*

Annual money income	Percent of families of 2 or more persons with—		
	Two or more earners	One earner	No earner
Under $500	28.2	46.2	25.6
$500 to $1,000	35.9	46.2	17.9
$1,000 to $1,500	29.3	62.8	7.9
$1,500 to $2,000	37.2	61.1	1.7
$2,000 to $2,500	37.8	59.3	2.9
$2,500 to $3,000	50.7	49.3	0.0
$3,000 to $5,000	67.7	31.7	0.6

Source: U. S. Department of Labor, Bureau of Labor Statistics.

Senator TUNNELL. We will meet again tomorrow at 10 o'clock.

(Whereupon, at 12:01 p. m., an adjournment was taken until 10 a. m. Wednesday, September 26, 1945.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

WEDNESDAY, SEPTEMBER 26, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, Guffey, La Follette, Aiken, Smith, Morse, and Myers.

Senator TUNNELL. The meeting will please come to order.

Mr. Hinrichs.

TESTIMONY OF A. F. HINRICHS—Resumed

Senator TUNNELL. You were in the midst of your testimony yesterday, Mr. Hinrichs. You may proceed, if you will.

Mr. HINRICHS. I had indicated yesterday that I was going to address myself first to the question of the adequacy of the living standards which would be afforded by even the 75-cent rate to a family depending upon the earnings of a single worker. I had concluded my testimony on that point, except insofar as the committee may have questions.

I may say, in summary, that, insofar as I know, the evidence is conclusive on the subject that even the 75-cent rate will not produce an adequate minimum living standard at the present time, and that the inadequacy of the family living under conditions of the 65-cent rate is overwhelmingly demonstrated. The extent of that inadequacy is such that even were there to be a reversion to substantially lower price levels than now prevail—and I do not believe that that is going to happen—the standard of living afforded by the 75-cent wage would be a bare minimum.

Senator ELLENDER. What period of time does the information cover to demonstrate that a minimum of 75 cents per hour is inadequate?

Mr. HINRICHS. Those are materials which have been compiled at various times from 1935 to date.

Senator ELLENDER. Are you able to say how much would have been required in 1935?

Mr. HINRICHS. At that time it would probably have been in the neighborhood of $1,300 to $1,400.

Senator ELLENDER. Were not all commodities at a very much lower price at that time as compared to the present?

Mr. HINRICHS. They were at very much lower prices than they are now, yes.

Senator ELLENDER. How much lower?

Mr. HINRICHS. About 25-percent lower than they are today. The present level of commodity prices is about 32-percent higher than it was in 1935.

Senator ELLENDER. You mean at the present time?

Mr. HINRICHS. At the present time, yes.

Senator ELLENDER. You mean that the living costs in 1933——

Mr. HINRICHS. I said 1935, sir.

Senator ELLENDER. Or 1935 were only 28 percent lower than they are today?

Mr. HINRICHS. About 25 percent lower than they are today.

Now, if you turn that figure the other way around it becomes a different figure, sir. They are now 32 percent higher than they were in 1935.

Senator ELLENDER. You economists manipulate figures so I cannot follow you.

Senator TUNNELL. It is not hard to follow, Senator. If you take the percentage on the lower base it is higher than it is if you take it on the higher base.

Senator ELLENDER. I am asking particularly on the living cost, the cost of living. I think there is a big difference of opinion between the Labor Department figures and the CIO and A. F. of L. groups' figures as to the difference in the cost of living from 1941 to 1944 or 1945.

Mr. HINRICHS. There is no question as to the fact that the CIO and other labor groups as well disagree with the figures of the Bureau of Labor Statistics. Our figures have been subjected to a good deal of searching analysis. I have a great deal of confidence in them. Those figures, however, relate very particularly to the changes in prices that affect the average wage-earning family. They are not compiled, and never have been compiled, from the point of view of showing the effect of changes in prices on the very lowest income groups of the country, such a group, for example, as would have been affected by a 40-cent minimum wage. The level of income back in 1934–35, to which our figures refer, was an income in the order of about $1,500.

Senator ELLENDER. Now, Mr. Hinrichs, as I understand, you stated a while ago that the cost of living in 1933 was 28 or 33 percent—what figure did you use?

Mr. HINRICHS. I used the figure showing that the current prices are about 32 percent higher than they were in 1935. May I give you some figures, Senator, that will clear up your point?

Senator ELLENDER. I want to get something in my head first, if I can. You say the prices of goods in 1935 were only 32 percent lower than they were in 1944, or whatever year you used.

Mr. HINRICHS. May I give you some figures I think will clarify the question, Senator?

Senator ELLENDER. Well, the thing I want clarified is this, if you do not mind: I have seen figures showing that the cost of living from 1941 to 1944, I think, increased 23 to 28 percent, as I recall them, and you now say that the increase in cost of living from 1935 to 1944 was only——.

Mr. HINRICHS. 32 percent.

Senator ELLENDER. Now, will you explain that to us?

Mr. HINRICHS. Yes. Various dates have been used here. Let me just indicate for certain key dates what the figures for our index show. We base our index on the average level of prices through the period 1935–39. There was some fluctuation in those years, in some years higher and in some years lower. Taking that period 1935–39 and calling the prices in that period 100 percent we find that the lowest level of prices since the First World War came in June of 1933 at which time our index stood at 90.8. By 1935 prices had risen from that low of the depression; by March 1935 the index stood at 97.8.

Senator ELLENDER. Now, in terms of cost of living, can you translate that into a stated percentage to demonstrate how much the cost of living increased?

Mr. HINRICHS. That would mean that during that period prices had risen about 7½ percent. The difference in points on the index for the two dates, 7 divided by 90.8 gives your answer of a 7.7 percent rise.

Senator ELLENDER. Very well.

Mr. HINRICHS. Now, between 1935 and 1939, as I say, there was a minor rise and a minor fall in prices. There was no substantial change in prices until the beginning of 1941. In January of 1941 our index stood at 100.8. Now, relative to the 1935 figure that I gave you, that means that there had been a further rise in the cost of living by January 1941 of about 3 percent.

The rapid rise in prices occurred from 1941 to the spring of 1943, which was the time of the hold-the-line orders. By May of 1943, our index of prices stood at 125.1. That is roughly 25 percent higher than in January of 1941.

After the hold-the-line order was issued and after certain subsidies with respect to food prices, prices on the average fell very slightly. I said that in May 1943 the index stood at 125.1. In February of 1944 the index stood just a little lower, 123.8.

Since those early days of 1944 there has been a slow but on the whole rather persistent rise of prices, and the index for July 1945 stands at 129.4. That is at about 28 to 29 percent higher than the level of the index in January 1941. Now, that is the story as told by the figures of the Bureau of Labor Statistics.

Senator ELLENDER. If the index was 90 in 1933, as you have indicated, and it is 129.4 now, or the last figures you have, would that mean a rise in the cost of living of 39.4 percent?

Mr. HINRICHS. That will work out at an increase of about 44 percent from 1933 to 1945.

Senator ELLENDER. If the increase is 44 percent, as you say, from 1933 to 1945, how much would it have required in 1933 to maintain the standard of living that you are now suggesting?

Mr. HINRICHS. I am sorry, I will have to refer back to my testimony of yesterday, Senator. I said with reference to the amount that is required to maintain an adequate standard of living at the present time, that the Bureau of Labor Statistics cannot say how much more than $1,500 is required today. We are currently engaged in making a study of that subject with an appropriation made this last June. That study is under way. The results of that study cannot be made available for a number of months. I therefore have no way of tell-

ing you whether you are talking about $1,600 or $1,700 or $1,800 or $2,000, or $2,500.

Senator ELLENDER. Let us take any figure you desire. Let us take $1,600, if you will. If it requires $1,600 under present conditions to maintain a family, as you have indicated, with the cost of living 44 percent less in 1933, how much would it have required in 1933 to maintain such a family?

Mr. HINRICHS. I think it probably takes more than $1,600 at the present time.

Senator ELLENDER. Take $3,000. I don't care what figure you take. What I want to put into the record, if I can, is how this cost of living formula is worked out for you. In other words, if the cost of living was 44 percent less in 1933 than it is now, I would like to have that decrease in the cost of living translated in what the living costs of a family, say, of four would have been at that time.

Mr. HINRICHS. Yes. I said that prices today are about 44 percent higher than they were in 1933.

Senator ELLENDER. That is right.

Mr. HINRICHS. You have now asked me how much lower prices were in 1933 than they are today, and that involves simply turning the figures around. The answer is that prices can be described as being either 30 percent lower in 1933 than they are today, or that prices today are 44 percent higher than they were in the earlier period. Therefore, if you take the $1,600 figure that you suggested but which may be too low for a current figure, and deduct 30 percent from that you would come out with the figure of $1,120, if my arithmetic is correct.

Senator ELLENDER. I thought you said the figure was 44 percent. That is that the cost of living in 1933 was 44 percent less than 1944 and not 30 percent.

Mr. HINRICHS. Senator, I am sorry if I don't make myself clear. Let us start with the price of cotton. Cotton was 5 cents a pound in 1932, or lower; is that right?

Senator ELLENDER. That is right; that is, for the raw material.

Mr. HINRICHS. It is about 20 cents a pound today.

Cotton prices today are about 300 percent higher than they were in 1932.

Senator ELLENDER. Now, that is for the raw material.

Mr. HINRICHS. I am trying to do the arithmetic.

Senator ELLENDER. I say that is for the raw material. When you convert that into the cost of the shirt that I am wearing——

Mr. HINRICHS. Maybe we ought to strike that from the record. I did not want to talk about the price of cotton as such.

Senator ELLENDER. No. You take raw cotton at 4 cents, and then you say today it is 300 percent higher, but that the price of 4-cent cotton was not properly reflected in the cost of the material that was made from it.

Mr. HINRICHS. That illustration was selected in all innocence, Senator. I will change it to a cotton shirt that used to cost a dollar and it now costs $2.

Senator ELLENDER. That is just an assumption on your part.

Mr. HINRICHS. It is awfully close to the truth. That means that the price of shirts have increased 100 percent. Now, when you turn the question around and say how much less did shirts cost back in

the good old days when you could pay a dollar for a shirt the answer is they cost 50 percent less than they cost today. That is, it is now $2, it was $1, and a dollar is 50 percent less than $2. That is what I am doing with the index figures that I was talking about.

Senator ELLENDER. Using your own method, you have indicated the cost of living in 1933 was 44 percent less than it is now.

Mr. HINRICHS. 30 percent, Senator.

Senator ELLENDER. I am taking your own index. You gave us an index a while ago in 1933 that showed 90 under 100; is that true?

Mr. HINRICHS. Yes.

Senator ELLENDER. And today it is 29.4 over 100. 29.4 plus 10, what does that make?

Mr. HINRICHS. That makes an increase in that period of——

Senator ELLENDER. 30 percent?

Mr. HINRICHS. I am sorry, 44 percent. If you divide 129 by 90 you will see that it comes out as 1.44. That means a 44 percent increase.

Senator ELLENDER. I may be a little confused with figures.

Senator TUNNELL. I think the Senator is basing his percentage on different things from the witness. Now, you take your shirt; there was a 100 percent increase in that shirt, and then it is a 50 percent reduction to get it back. It depends on which way you are going.

Senator ELLENDER. I am not much at figures, I may be confused a little bit, but as I understood you to say—and if I am wrong, you may say so—you said that the cost of living in 1933 was 44 percent less than it is now. Is that a true statement?

Mr. HINRICHS. It was 30 percent less than it is today.

Senator ELLENDER. What is the 44 percent figure that you gave a while ago?

Mr. HINRICHS. The 44 percent figure answers the question how much higher is the cost of living today than it was back in this period when prices were very low.

Senator ELLENDER. That is the very point I am making.

Mr. HINRICHS. The 30 percent figure, Senator, is the one you want to use.

Senator ELLENDER. Why not the 44?

Mr. HINRICHS. Because that corresponds to the 100 percent increase in the price of the shirt. You see, we started with very low prices.

Senator ELLENDER. I would rather apply it to the cost of living. That is the point that I want to try and develop if I can.

Mr. HINRICHS. May I help you in just a second, sir, with a pencil?

Senator ELLENDER. Surely. Besides me, you will have to convince 92 Senators aside from those present.

Mr. HINRICHS. In 1933, we started with an index figure of roughly 90, and today the index is 129. To find out how much higher the prices are today than they were in 1933, we want to divide the present figure, which is 129—that corresponds to our $2 for the shirt—by the figure of 90, which is where he started from and which corresponds to the price of a dollar per shirt. When we divide 129 by 90 we find that we have a figure of 1.44. Now, that can be interpreted to mean a 44 percent increase in prices from the time when they were very low.

Now, your problem today is not to start from 1933, when prices were low, but to start with prices as we find them today, when prices are high. You want to see how much less we would need than we do today if prices went back to the 1933 levels. So in order to answer your question we simply turn our figures around and we say prices today are 129. But back in 1933 they were only 90, so we divide 90 by 129, just the way we divided the dollar that we used to pay for the shirt by the $2 we now pay for it, and we come out then with a figure of just about 70. Now, that 70 means that prices in 1933 were 70 percent as high as they are today, or you can say that prices in 1933 were 30 percent lower than they are today. That is saying the same thing.

So, what you want to do is to say that starting with this $1,600, if prices were 30 percent lower than they are today, how much would it cost to buy the goods that you can buy today with $1,600. Now, 30 percent of $1,600 is $480. We subtract that and you come out with an answer of $1,120.

Now, if you started with a $2,000 figure today you would take off $600, or say $1,400. If you go still higher to the $2,500 figure you still take off 30 percent. But it becomes a larger figure in dollars; so the answer is $1,750.

Senator SMITH. Doctor, will you put in the record the items that go to make up the index? I mean just an outline of how you make up the index.

Mr. HINRICHS. Yes.

Senator SMITH. Is that the same index you are using for the 90 percent figure as for the $1,600 cost of living figure?

Mr. HINRICHS. Except as it has been absolutely necessary to make certain modifications due to the disappearance of goods in wartime.

Senator SMITH. I was just interested in having the record show what you considered in developing the index.

Mr. HINRICHS. We will submit a description of the index which we have published.

(See exhibit A, p. 63.)

Senator SMITH. Does your index vary from indexes gotten up by other groups, such as the National Association of Manufacturers? I am confused when one says this is the cost of living and another says this is the cost of living, when one says there are so many unemployed and another says there are so many unemployed. We want to get to a norm so we can have accurate figures as a basis on which to draw a conclusion.

Mr. HINRICHS. The only other national index of the cost of living that I know of is one maintained by the National Industrial Conference Board. The changes shown by that index are very similar to the changes shown in our index.

The index that the Bureau of Labor Statistics compiled was studied, so far as its accuracy is concerned, first by a committee of the American Statistical Association which rendered a report and found the index accurate. The President, in November 1943, appointed what came to be known as the President's Cost of Living Committee, under the chairmanship of William Davis, with two labor men and two employers serving on that committee. Mr. Davis, himself, appointed a committee of experts to advise him. That committee of experts studied

the work of the Bureau of Labor Statistics, studied all of the evidence that the labor organizations were able to offer, and found, in the fall of 1944, that the Bureau of Labor Statistics index does measure with substantial accuracy the influence of price changes on the cost of living of an average wage-earner family in the United States. They found that there were certain kinds of changes which had occurred in the market, which are probably not adequately measured by the Bureau's index. The most notable of those was the influence of quality deterioration on the effective cost of goods. In connection with quality deterioration the President's experts estimated that the effect of that, had we been able to fully measure it, might have amounted to one and one-half to two and one-half points on the index.

In addition to the influence of quality deterioration which the Bureau had recognized in its publications but had said it was unable to measure and had been advised by these experts not to try to measure, in addition to that there were other small factors for which the committee estimated a maximum allowance that it might be necessary to make. These experts for the President's committee came to the conclusion that for many purposes it was going to be wise to add an allowance of something like 3 to 4 points of rise to the 28 or 29 points shown by the Bureau's index since 1941. So it may be more accurate to say that influence of price changes on an average wage-earner family has amounted to something like 32 or 33 percent rather than the 29 percent shown by the Bureau of Labor Statistics figures.

The whole history of that case was subsequently reviewed by the new Secretary of Labor on his coming to office, and he issued a statement on the subject the other day in which he announced his appraisal of the substantial accuracy of the Bureau's figures as a measure of the influence of price changes on the cost of living for the average wage-earner family.

(The statement referred to is as follows):

(At a press conference on July 17, 1945, Secretary of Labor L. B. Schwellenbach announced he would have a study of the cost of living index of the Bureau of Labor Statistics made by Assistant Secretary of Labor Carl Moran. That study now has been completed, thus the Secretary is making public this statement.)

UNITED STATES DEPARTMENT OF LABOR,
September 6, 1945

STATEMENT OF LEWIS B. SCHWELLENBACH, SECRETARY OF LABOR, REGARDING THE COST-OF-LIVING INDEX

(Compiled by U. S. Department of Labor Bureau of Labor Statistics)

1. The alertness, intelligence, honesty of approach and technical competence of the staff of the Bureau of Labor Statistics is beyond question. I am satisfied on this score from the examination made by Second Assistant Secretary Carl Moran and the investigations by the American Statistical Association Committee and the Technical Committee on Cost of Living.

2. The presently named Cost-of-Living Index measures the influence of average retail prices of selected commodities and services on the cost of a fixed standard of living for an average family of moderate income in large cities of the United States.

3. For what it is designed to measure, the present index is scientifically accurate. The several expert reports made by disinterested statistical authorities in 1943 and 1944 demonstrate this.

4. The present index will be continued because it is worth while to have a measure of the influence of price changes on living costs.

5. The name of the present index has been changed to Consumers' Price Index for Moderate Income Families in Large Cities, as originally recommended a number of months ago by the Bureau of Labor Statistics. This should end the confusion and controversy caused by misunderstanding of what the index is designed to measure and by the use of the index for purposes for which it was not adapted.

6. The index should not try to reflect all the other factors that also influence family expenditures. There is no way of determining statistically whether changes in total expenditures are necessary or voluntary. Periodic field studies of actual expenditures and purchases, rather than an index, is a more accurate method of determining the way in which families are living, and consideration will be given to instituting such studies.

7. Consideration will be given continuously to changes in the Bureau's program; in such determination, two general principles will govern;

(1) A definite, specific, and concrete objective should be served by the compilation of any statistics. The objective sought must be sufficiently worthwhile to justify the time, effort, and expense involved. It is essential to ascertain what statistics are of most value, and produce them; that can best be done by continuous consultation with all interested parties.

(2) The Government, management, and labor need facts of unquestioned accuracy to determine labor policies. The United States Department of Labor will continue to meet that need. The Bureau's figures would be valueless if either incompetently assembled or deliberately arranged to prove a predetermined conclusion. Research must not be prostituted to policy; instead, policy must be based on true facts determined by honest and competent research.

Mr. HINRICHS. Here I would like to point out, if I may, one rather important fact. The goods that the Bureau of Labor Statistics priced were the goods which were purchased prior to the war by an average wage-earner family, a family with an average wage-earner income. At that time the average was in the neighborhood of $1,500 to $1,550. We have not attempted to price, and have not had the resources to price a budget for a family that was attempting to live on $800, which would have a minimum wage-earner family with one worker fully employed at 40 cents.

Now, it is known that the factors which have operated during wartime have tended to bring about a greater increase in the cost of living for the lowest income families among the wage-earner group than they have for the average. There are several reasons why that would be the case. In the first place, food, which has risen more than any other item in the family budget except clothing, constituted a more important portion of the budget of the very low wage-earner family than it did of an average wage-earner family. There are offsetting factors. That means that the errors caused from that point of view are less than they might be thought to be in the first instance. All we know is—and we are quite sure about it—the influence of food price changes would somewhat raise the cost of living index for the lowest income groups.

Secondly, one of the most important changes that occurred in connection with clothing prices has been not the increase in the price for a standard article but the disappearance of the lowest-priced merchandise which was bought by the lowest income groups. The trouble with my figure for the dollar shirt that became $2 is that what was the dollar shirt has tended to disappear almost entirely from the market. It has been more profitable to manufacture what was formerly a $2.25 shirt to sell for $3.25 now. But the fact that it has been necessary to go from low-priced merchandise to higher-quality merchandise has imposed a very special burden on the lowest income

families. The housewife who used to buy a 97-cent house dress just cannot find that kind of garment any more in the market, and if she is coming into the market she comes in for a house dress which is priced today well above $2. It is that kind of thing which makes these cost-of-living figures of ours inapplicable to a family that was earning $800 back in 1939 or 1941. That we know. Everyone is in complete agreement on that one point.

Now, I think I would rather leave the contention of the labor groups that the cost of living for an average wage-earner family has risen by more than 40 percent from 1941 to them rather than to try to argue their case for them. I think they are incorrect in their contention. That is not merely a personal opinion; it represents essentially a paraphrasing of the experts of the President's committee. The labor groups, however, do not admit the findings of those experts as being adequate to the kind of case that they are arguing.

Senator SMITH. I think we are going to be confused here if we have different experts arriving at different conclusions. I think we ought to have a clear basis so we can intelligently arrive at a solution of the problem.

Mr. HINRICHS. May I put it this way, Senator, as a contribution. You started with a minimum wage of 40 cents in the law of 1938. Taking into consideration only the changes in prices, as measured by the Bureau of Labor Statistics, which is probably the most accurate immediate guide that is at hand, you would find that 40 cents was no longer worth what it was back in 1938, but to get anything like equivalence for that 40-cent figure, you have probably got to go to a figure of 55 cents or higher.

Senator SMITH. I think that is clear enough. Your point is then, that by any of your indexes you would reach that point.

Mr. HINRICHS. Yes.

Senator SMITH. I hope that ultimately we will get indexes that the experts are agreed upon.

Mr. HINRICHS. You do not wish it any more earnestly than I do. I had hoped that this issue was long dead and buried.

Senator TUNNELL. Would it not make a difference as to what particular item a family's living standard was based on? That is, if the major item in a particular family were food then of course there would be one rise, and if it is in clothing then there might be a higher rise. You cannot get a mathematical certainty as to what these are in every instance, can you?

Mr. HINRICHS. No. There are certain items that have been rather stringently controlled. Rents, for example. Rents have been under control almost from the beginning, and they moved comparatively little. The difficulty in connection with rent has been not that the rent of an individual house has been raised. However, if a family was evicted from the property in which it was living or if it chose to migrate to a new community, it became impossible, in view of the housing shortage, to find a house at a rent that was anything like the rent that it had formerly paid.

Fuel, electricity, and gas prices have tended to go down during the war rather than to rise. So that at one end among the items consumed by a family you have items which have risen comparatively little, while at the other end you have items like food and clothing which have risen more than 40 percent on the average.

Then, in those groups you have even more divergent movements. The rise in bread prices has been comparatively small. The rise in vegetable prices has averaged something like 100 percent during the war. The same thing applies to many of the clothing items we have in our index, which shows a rise of more than 100 percent during the war. Women's house dresses are an example.

So you are dealing, as you pointed out, with an average figure. Taking the average figure and its impact on relatively high wage groups, or medium wage groups, even that influence has mounted to a rise of more than 30 percent, about 32 percent, since the 40-cent figure was enacted into law, and to that 32 percent figure you may want to add 3 or 4 points, for factors that cannot be measured but whose influence on living costs has been guessed at by the President's committee.

Senator TUNNELL. Are your figures based on the necessary needs or the average cost?

Mr. HINRICHS. They are based on the changes that we find in the prices in the stores where wage earners ordinarily buy.

Senator TUNNELL. Then, this is the average, is it?

Mr. HINRICHS. Yes. When I was talking yesterday in terms of the current inadequacy of the $1,500 income to support a family, I was speaking in terms of necessary costs, with the most painstaking kind of shopping.

Senator TUNNELL. The necessary cost then is the minimum cost, is it not?

Mr. HINRICHS. It is in the order of a minimum cost, without provision for emergencies, without provision for any of the little foolishnesses that people inevitably allow to creep into their spending, even if it only amounts to an unnecessary nickel for gum, that I am sure is not in any of the budgets that are built up. They are strictly necessary costs. The most I can say about that is that that necessary cost in any kind of budget that I could think of as tolerable is certainly more than $1,500. There is not a shred of evidence that it is as low or could not conceivably be as low as $1,300.

I want to go back to a point I made yesterday on the matter of the necessity of these budgets. You will remember that I discussed the point at which families are actually going into the red. That is an awfully significant social measure. If the cost of goods is so high and the average family income is so low that a large group of families is voluntarily choosing to operate on a deficit basis, you know at that point you are getting awfully close to something that needs to be regarded socially as the minimum acceptable standard of living. Even before the war that figure was nearly $1,500. At the present time that break-even point is in the neighborhood of $1,950 for goods and services alone. Now, we need to add to that $1,950 figure something like $100 for income taxes that would be paid by a family at those levels. So, in terms of gross income the break-even point today is above $2,000 rather than below it.

Senator TUNNELL. Does that not take us to this point, that the family that lives within that class is living below a health standard?

Mr. HINRICHS. I think that is an absolutely safe assumption, yes, because health is going to be the last thing that the family will protect. The length of time that you can allow teeth to go is enough to ruin the teeth of the future population of one-third of the United States.

Senator TUNNELL. And that family is living below what you say can be done with a minimum expense?

Mr. HINRICHS. That is correct.

Senator ELLENDER. Mr. Hinrichs, to go back to the subject that we were talking about a while ago——

Senator TUNNELL. The arithmetic?

Senator ELLENDER. Yes. I was dealing in percentages, and as I understand now the table that you used, this index, does not deal in percentages. Am I right in that?

Mr. HINRICHS. No, our figures on the changes in the cost of living are in percentage form.

Senator ELLENDER. I am talking about the table that you used to reach that percentage. For instance, when you said awhile ago that in 1935 assuming that it was 100, then 1933 would be 90 and 1944 would be 129.4. What were you dealing with? Were you dealing with percentages or just your index figures?

Mr. HINRICHS. As I understand them, Senator, they are the same. I have been requested to put into the record a full description of the way in which this index is compiled. That will show not only what commodities are priced but it will also show in rather simple form the way in which they are put together and the way in which that index is built up.

Senator ELLENDER. Do you insist then that the index that you have been talking about, which shows that it was 90 in 1933 and 129.4 in 1944, that that does deal with percentages?

Mr. HINRICHS. Yes, and from that you can get the percentage change of prices.

Senator ELLENDER. That is what I could not get in my head, and I cannot get it in my head yet, because to me if it is 10 percent under in 1933 and 29.4 percent over in 1944, that adds 39.4 and not 30 percent.

Senator TUNNELL. I do not think you will ever get that straight, Mr. Hinrichs.

Mr. HINRICHS. No.

Senator ELLENDER. That may be true. I do not see how you can be dealing with percentages in this table that you have given us. You might use the figures to obtain the difference in percentages from time to time.

Mr. HINRICHS. Well, we are taking average prices in 1935 to 1939 as 100 percent. May I go back to my shirt example, please?

Senator ELLENDER. No; there is no use to go over all that territory again. It is not necessary. I believe, maybe, some easier method should be worked out so we can understand. I know I do not, and I know I studied quite a bit of mathematics at college. Maybe not enough to cope with you. But it is plain to me if the figures you have given us deal with percentages, in the cost of living, then assuming it was 10 under the 100 in 1933 and it is now 129.4 in 1944, that you would add the 29.4 to the 10 that it was under in 1933, which would give you 39.4 and not 30 percent. But let us leave that subject. That is the way it looks to me.

Now, let me ask you this, Mr. Hinrichs:

Would you be able to put in the record for us the amount of earnings, the average amount of earnings, of industrial workers during, let us say, in 1929, or just before the depression, so as to make a com-

parison with the figures that you now say are essential? I think you said a minimum of $1,500, and maybe up to $1,800 per year is now necessary. Can you give us such figures so we can make a comparison?

Mr. HINRICHS. Please do not let my testimony be interpreted as saying that the standard of adequacy that I have set up corresponds to the level of earnings of all people in the United States, either now or at any other time. One of the tragedies in this country is that for a substantial portion of the population we have not yet managed to achieve adequacy.

(The figures referred to are as follows:)

Average weekly factory earnings

1929 average	$25.03	1944 average	$46.08
1933 average	16.73	1945 July	45.42
1939 average	23.86	1945 August (preliminary)	41.81

Source: U. S. Bureau of Labor Statistics, Department of Labor.

Senator ELLENDER. That is the next question I was going to ask you. The United States has been classified—and is—as the nation that has made more progress than any other nation in the world. Our standard of living is high in contrast to other countries. Can you point out any period in our history where this millennium that you are now advocating has ever existed, that is, where working men and their families had all the things that they would derive from the standard that you are now setting up for them?

Mr. HINRICHS. Certainly not. I have always assumed that that was one of the things we were striving for with respect to the wage earners and farmers of this country. One of our hopes is that we are going to achieve a minimum standard of adequacy for the population of the United States. It is only within a comparatively few years, Senator, that the dream of adequacy for all people in this country could have been anything except a dream.

Senator ELLENDER. It is not a dream. All admit we are the most prosperous nation in the world, that we have made more progress in most sciences, in our social standards of living than any other country in the world. I do not know of any other nation that has the standard of living that we have. Do you know of any that have a better standard of living?

Mr. HINRICHS. I think at the lower end of the scale standards of living are higher in Sweden and in New Zealand, and possibly in Australia.

Senator ELLENDER. I understand that the government in New Zealand is somewhat socialistic. The Government pays all doctors a salary. The Government pays for many other things. You do not want that in this country, do you?

Mr. HINRICHS. The method of achieving a decent standard of living is certainly a matter that has to be worked out by the Congress. It would be presumptuous for me to say how you should go about it. I came not to argue for the development of an adequate standard of living for the people in the United States—that would be more properly the function of the Secretary of Labor, although I am glad to offer support to his objective in that respect—but rather to lay before you such information as I have in my possession. All I can say to you on that score is we cannot rest comfortably with the assumption

that an adequate standard of living can be attained with an income of less than $1,500, and I am sure that it is substantially more than that. That, at least, constitutes a definition of our goal. I think it would be tragic, in the light of whatever information is available, if we set a goal which is lower. Now, the question of whether that goal can be attained is another kind of story, but it is important not to delude ourselves that the goal itself is too high. I assure you there is no evidence to support the belief that the goal of a $1,500 income for every family in the United States is too high a goal to strive for.

Senator ELLENDER. But you are trying to reach that, as I indicated yesterday, by continuing to increase wages, are you not?

Senator TUNNELL. Just a minute. Isn't that an unfair assumption? This man is here to give us certain facts. Now, you are arguing as to a form of government, as to whether he believes in socialism. He is not here to discuss politics; he is here to discuss figures.

Senator AIKEN. Mr. Chairman, I hope we will not reach the point where we have to choose between socialism and feudalism in this country.

Senator TUNNELL. It does not seem to me that is within the scope of this man's testimony.

Senator ELLENDER. Will you repeat the last question that I asked him? I did not know that I was trespassing on the committee.

Senator TUNNELL. You are trying to tell the witness that some country has socialism, asking him if he is in favor of socialism.

Senator ELLENDER. No. I will repeat the question. If you want to draw a conclusion of that kind, it is up to you. I asked him if there was any country that had better than we had, and he mentioned New Zealand.

Senator TUNNELL. He said, "Yes."

Senator ELLENDER. Yes; he mentioned New Zealand.

Mr. HINRICHS. Let me, in that connection, if I may, Senator, just introduce one chart by way of background to my answer.

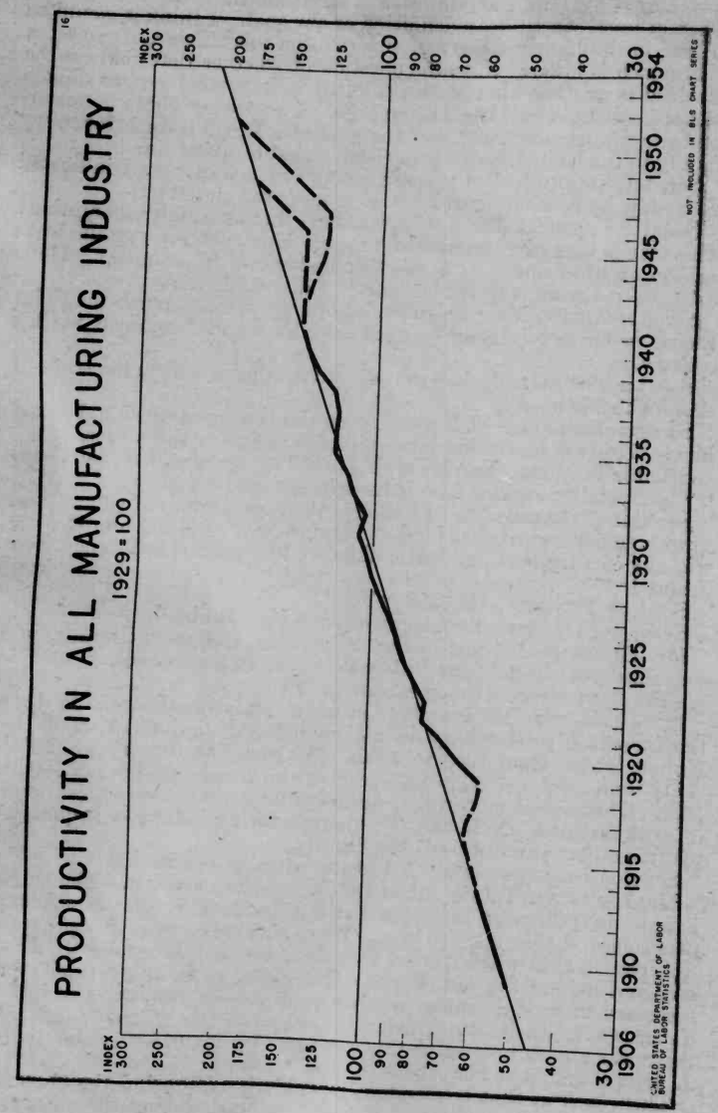
(The chart referred to appears on p. 46.)

Mr. HINRICHS. This is a chart in which we have attempted to show the increased productivity in all manufacturing industries of the United States from 1909 to 1940. The red line that rises on this chart from a point of 50 in 1909 reaches and crosses the level of 100 by 1929. That means that in that period of 20 years the output per hour of work doubled. Now, in some manufacturing industries it quadrupled; in others, it was raised only slightly.

Senator ELLENDER. That is because of mass production?

Mr. HINRICHS. Taking all of the factors into account. The thing I want to call your attention to in this chart is the tremendous persistence of that upward rise. There was only one interruption of that rise in that whole period that we know anything about. That occurred during the last World War when, as in this war, it was necessary to produce under conditions that were conducive to inefficiency, not to efficiency. During the period of the World War itself, there was almost no rise, so that productivity in 1919 was essentially no greater than it had been back in 1914.

Then, look at that tremendously rapid rise following the close of the war as the technology that had developed during the war was pushed into normal manufacturing operations. The rate of increase



in productivity in that period from 1919 to 1923 was more rapid than the increase in any other period of our history of which we have any record. You will find the reason for that if you will go back and look at the figures for machine tool production in those years, when industry was retooling after its inability to purchase equipment during the war.

Now, that rise in output per man-hour, which involved doubling that output in the 20-year period continued again almost without any interruption up to 1939 and 1940, that is until the outbreak of the Second World War. At that time the output per hour was about 30 percent higher than it had been in 1929.

Now, this thing that has happened in the past, that has characterized all industrial development in the United States from the beginning of the nineteenth century to date, is going to go on happening. That is not a mere prophesy. I am not sitting down and looking at what has happened in the past and saying because it happened in the past it is going to happen again, I am looking at actual technological developments which have been proved practicable and which are going to be introduced by the manufacturers of the United States, including the cotton textile industry, including the streamlining of production in the cotton garment industry—I am looking at developments that we know are going to happen in the next decade just exactly as they happened in the past.

Now, the nature of the major technological developments change, of course, from decade to decade, but this underlying capacity to produce more with less effort is one of the fundamental characteristics of our country. It runs through every line of production. It includes agricultural production. There is the story in agriculture, as indicated on this chart.

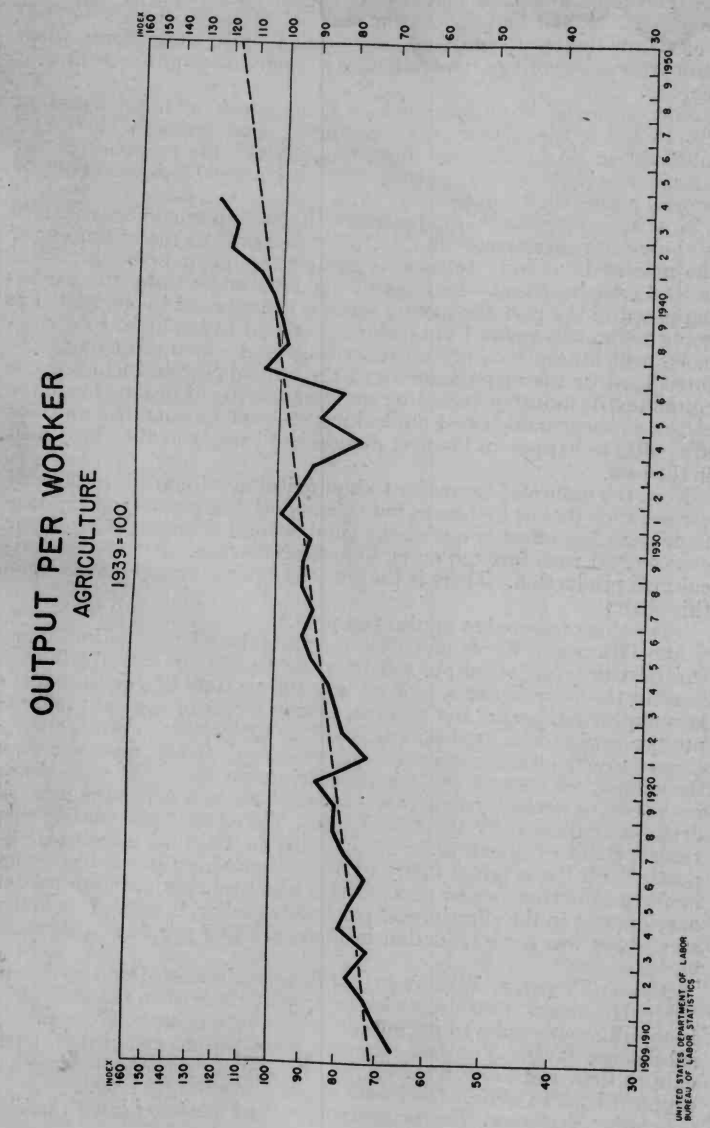
(The chart referred to appears on p. 48.)

Mr. HINRICHS. We cannot describe agricultural production as accurately, in terms of output per hour, as we can for manufacturing, because the hour is not a unit of accounting time in agriculture; it is sunup to sundown. But you can talk in terms of agricultural output per worker who has been employed in agriculture. While the increase in agricultural output per worker is a little less dramatic than the output we showed for manufacturing workers, you will notice in the case of agriculture there was a rise—that is, a persistent upward drift—as indicated by the dotted line. The output per worker rose from a point of about 70 in 1909 to 100 in 1929, an increase of 30 points from the original figure of 70, or something like a 40-percent increase in output per worker. There was probably an even greater development in the effectiveness per hour of labor, because, I am quite sure, there was some reduction in hours worked per day in these 20 years.

Senator TUNNELL. When was that drop, as indicated on this chart?

Mr. HINRICHS. That drop was the drop of 1932, when the only place in which an unemployed person could survive was back on the family subsistence farm. You had so many more people engaged in agriculture than you knew what to do with that the output per worker dropped back to almost the levels which prevailed in 1909.

Senator ELLENDER. The price structure had a lot to do with it, too, at that time, did it not?



Mr. HINRICHS. I think the primary factor there, Senator, was simply the enormous increase in back migration from the cities to the farms. As far as I know, that is the only period in our history when the flow of migration has been from the cities to the farms rather than from the farms to the cities. I say "the only period in our history"; I cannot go back of 1800 in my economic history, but I can document it from there on. In that period of intense unemployment, 1931 and 1932, there was no way in which people could survive in an urban environment if they were unemployed. If they had family connections that enabled them to move back onto a farm for their subsistence, many of them did. You therefore got that altogether unusual and tragic building-up of surplus agricultural population.

Senator TUNNELL. The country was filled with farm novices. They were not familiar with the work.

Mr. HINRICHS. Yes; and surplus hands. If a textile mill hired 50 percent more people than they needed the output per hour would go down. That was what was happening on these farms.

Now, notice how production per worker went up by the late 1930's. Actually, one of the phenomental things, one of the things which saved our lives during the war, has been enormous expansion of output per worker on the farms during the war. It has gone well above anything that one would have expected as a normal trend.

I do not want to go into this indefinitely, but I do want to indicate how universal the increase in productivity is. Here is a chart for mining, showing the same kind of upward drift, again doubling the effective output per worker of work in a period of 20 years.

(The chart referred to appears on p. 50.)

Mr. HINRICHS. And here is a chart for railroads.

(The chart referred to appears on p. 51.)

Senator AIKEN. Do you expect that increase in production to continue after the war?

Mr. HINRICHS. Certainly. What is to stop it?

The automobile industry had to cut gears. They can now use a powdered metal that makes it unnecessary to cut a gear, they can mold it to the shape that they want.

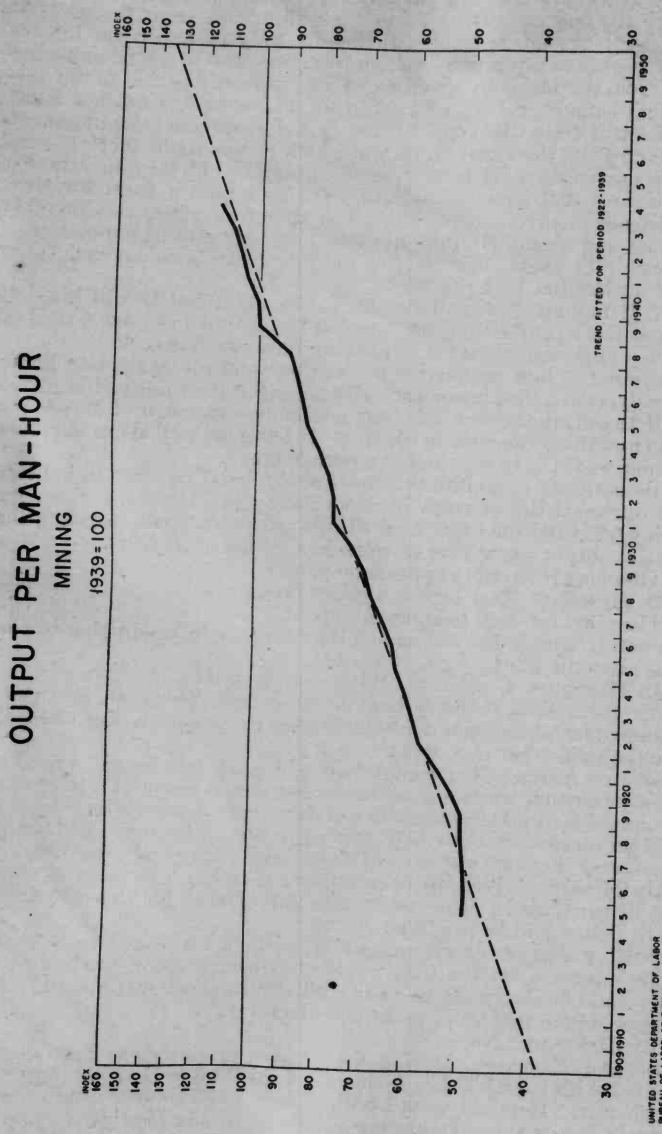
Senator AIKEN. That means men will work less hours to produce the same amount which was necessary before the war, and if they work less hours to produce what the country needs it means they have to have an increase in their base rate of pay in order to maintain anywhere near the same standard of living which they had previously.

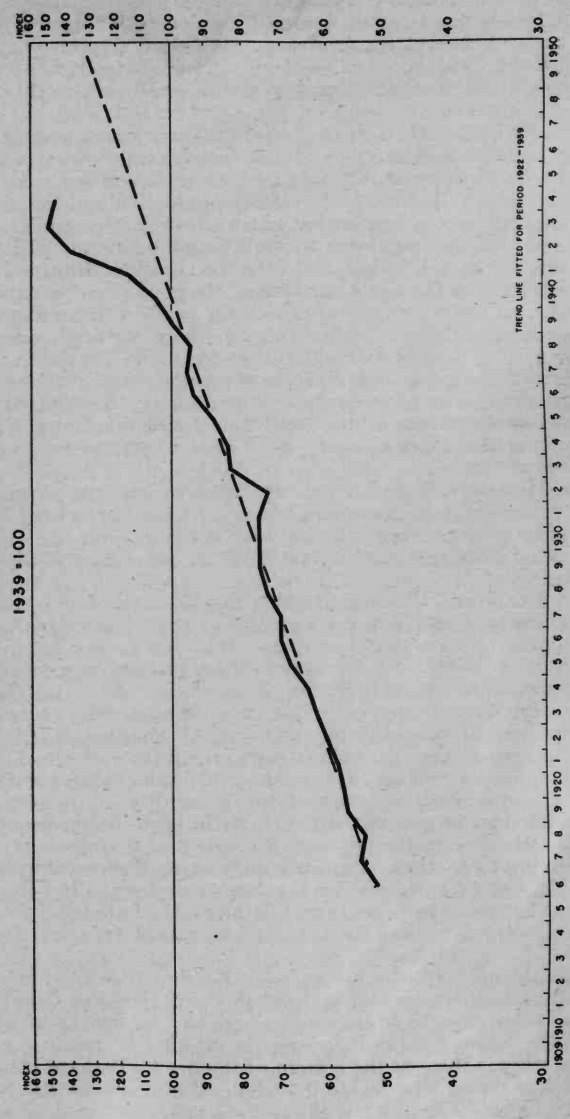
Mr. HINRICHS. Well, there certainly has to be an increase of wages and of earnings in order to furnish the market for this volume of goods that would be produced.

Senator AIKEN. If all industrial workers continued to work 48 hours a week after the war, would they overproduce, produce more than could be consumed, at a price which would cover the cost of production, plus a fair profit to the manufacturer?

Mr. HINRICHS. No.

Senator ELLENDER. During the war we produced, as I recall the figures, with 6,000,000 less farmers one-third more than we did prior to the war. Here last week I noticed from press reports where Secretary Anderson is contemplating a decrease of our food production to some extent for the next period.


OUTPUT PER MAN-HOUR
MINING
1939=100
INDEX
160
150
140
130
120
110
100
90
80
70
60
50
40
30
1909 1910 1920 1930 1940 1950
TREND FITTED FOR PERIOD 1922-1939
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS


OUTPUT PER MAN-HOUR
RAILROAD TRANSPORTATION
1939=100
INDEX
160
150
140
130
120
110
100
90
80
70
60
50
40
30
1909 1910 1920 1930 1940 1950
TREND LINE FITTED FOR PERIOD 1922-1939
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Mr. HINRICHS. I cannot comment on that.

Senator ELLENDER. That ought to answer Senator Aiken's question.

Mr. HINRICHS. I cannot comment on our agricultural policy.

Senator AIKEN. I think we may anticipate a substantial decrease in the demand for food, particularly perishable foods like milk, when we permit the purchasing power of the consumers to drop below a reasonable point.

Senator ELLENDER. I do not believe there is a man present who sincerely believes that the potential industrial capacity of our country can be absorbed by our people even at higher wages. Higher and higher wages will increase the cost of production and thereby cut off, as I tried to point out yesterday, much of our foreign trade. I cannot for the life of me see how we can cope with the British, with Australia, Canada, the Scandinavian, and other countries of Europe if we continue to increase the cost of producing the goods that we expect to sell to them. I believe we can approach the problem from another angle by decreasing the cost of production where we might increase our exports to $10,000,000,000 and thereby make available work for 5,000,000 employees. Now, that, to me, sounds sensible. As I pointed out yesterday I do not see why it should affect our standard of living at all if today one can fill his bread basket with goods that will cost $5 when 8 months ago or a year ago that same amount of food would have cost $8.

Mr. HINRICHS. Senator, I do not want to imply any contradiction of your idea that decreasing prices are one way and a very important way of improving living standards in this country.

Senator ELLENDER. Don't you think the same goal can be attained in that way?

Mr. HINRICHS. When I examine the incomes of the lowest wage earner group and of the farm groups of this country I give you the best expert opinion that I can; it is that you cannot attain a decent standard of living for the people in those groups, even primarily, via the general-price-decrease route. I think that one of the things that we must hope for is that out of the expanding capacity to produce, out of the expanding capacity to reduce cost, if you like—that is what my productivity figures here show for agriculture and all of the other industries—that out of that increase in productive capacity we will divert proportionately more of the possibility of increased income to the low-income groups than we do to the high-income groups. Now, I do not believe in the political feasibility of taking away from one and giving to another. I am perfectly sure, if we actually are going for this goal of adequacy for the farmer or for the low-wage-earner group, that we have to get there via the route of allowing these people to get more, percentagewise, out of increased capacity than comes to me.

I would not expect my standard of living to rise in any kind of socially minded economy. It probably will, because I do not think we have quite gotten to the point where we could make up our minds really to devote all the increased potentiality to produce to raising standards for those at the bottom of the heap. Perhaps it is not economically possible to devote the whole of our increased potential capacity to produce, which is the thing I am pointing out here, to the lowest-income groups, and I include in that category both farmers

and wage earners. But I would hate to see those groups left without special assistance on the income side. I do not think they would benefit adequately by any kind of possible price reductions, which incidentally would be shared by me as well as by those lower-income groups.

Senator ELLENDER. How would you take care of, let us say, the hundreds of thousands of one-horse farmers that we have spread through the South who cannot afford, because of the size of the farm, to purchase and operate these labor-saving devices that a larger farmer can utilize economically? You admit they should be helped but no plan of help is indicated in the bill.

The same question may be asked as to the thousands of small business men who hire from 5 to 10 employees and who cannot afford to install these labor-saving devices that Ford and other large industrial producers can avail themselves of. How can you take care of that situation?

Mr. HINRICHS. I am sorry, sir, I am not an expert in agricultural economics.

Senator ELLENDER. You seem to be an expert on prices. You desire to make all wages go up and up and up so as to attain a minimum standard of living. It strikes me you ought to determine what effect your proposal is going to have on the one-horse farmer who is the backbone of the South in agriculture, and also the thousands of small businessmen in this country who employ from 5 to 50 men, who are the very life of our economy and who are dependent on a market for their goods. If you make it so that their labor costs are so great that they cannot compete, with those who are able to install labor-saving machinery, I am just wondering when your scheme is going to lead us to and what effect it will have on our economy.

Mr. HINRICHS. Senator, I have never suggested that I wanted prices to go up.

Senator ELLENDER. How is that?

Mr. HINRICHS. I have never suggested that I wanted prices to go up. You, of course, are unfamiliar with my personal record during the war period and the work I have had to do in an advisory capacity in connection with the control of inflation, but that record would speak for itself. It would be utterly impossible for me to conceive of advocating an inflation of prices. I think the consequences of inflation would be desperate. I hope your goal of decreasing prices can be attained. I think it would be a mistake in the postwar period if we were to assume that all prices must be treated in just exactly the same way. During the war it has been enormously difficult to allow the lowest income groups to increase their standards of living because of the fact that that increase, there being no additional goods available, has had to come out of the living standards of groups that were higher up the scale. I think you are going to find cases in the postwar period when there is going to be an expansion of productive capacity, in which it will be necessary to allow some price rise. This may be the only way to get truly adequate income in connection with personal services, in connection with some of the lower priced goods that are put on the market in the clothing field, in connection perhaps even with some agricultural products. I would hope, on the other hand, that in the fields of durable-goods production, mass production areas

in which relatively high wages now prevail, that prices would come down rather than up, in response to an increase in productivity. We are going to have to share the gains we make over the next two decades. Part of those gains in effective capacity to produce ought to result in higher cash incomes to the producers; part of them should result in decreased prices that would benefit all people in the community.

Senator ELLENDER. I am not trying to argue with you that if the methods followed by mass production advocates are entertained by industry you cannot continue to decrease the unit cost of certain articles, and so forth, but in doing that you are resorting to plans by which you do away with a lot of labor. As I pointed out to you a while ago, in the cane fields of Louisiana we have an example of what will happen. I am just wondering if all of the large sugar planters in my State buy cane-cutting machines for say $3,800, which I think they cost each—it takes three men to operate one, and it saves the labor of 60 men. Then, they go a step farther and obtain cane loaders that cost probably $2,500, maybe less, each, and operate those cane loaders with one man and save the labor of 24, I repeat, I am just wondering what is going to become of those people who find themselves—and they will soon find themselves—without jobs in the cane fields in my State? I am satisfied that such examples can be multiplied time and again.

Senator AIKEN. Mr. Chairman, Senator Ellender is assuming a condition which actually existed in the Northeast in the dairy industry a few years ago. In 1937 the price of milk went down—and the Senator from Wisconsin, Senator La Follette, knows this, too. The price of milk actually went down to 1 or 2 cents a quart and thousands of dairy farmers were faced with bankruptcy. Some of them did fail. Those conditions, however, forced them to organize themselves, and they organized farm cooperatives. Today, well over 90 percent of all of the milk produced in my State is sold through the farm cooperatives, and probably 50 percent of the purchases are made through the farm cooperatives. I got a report from one of the dairy co-ops this morning, and it stated that 82 percent of the price which their milk sold for was returned to the farmer. That is in comparison with some 52 percent that was returned when they sold through proprietary dealers. Organizing as they did saved the economic lives of thousands of them. They were called Socialists by certain people for doing so, but it did save their lives. I think I would prefer to have a high standard of living and good income and be called a Socialist rather than be down in the bottom of the ditch and be called a Democrat or freeman or whatever else you want to call them.

I think there are great possibilities for the farmers in all parts of the country to organize themselves into cooperatives. It is, to my mind, the highest type of private enterprise. It is not socialism in any way. They are only called Socialists by those people who are getting rich off the labors of the farmers and do not like to see their unearned source of income disappear.

Now, Mr. Hinrichs, there is some information I would like to have, if it is possible for you to get it. Yesterday, Senator Ellender showed a great deal of concern over the effect that a raise of the minimum wage would have on industry in Louisiana, and indicated when the minimum-wage law was enacted prescribing the minimum wage of 40 cents an hour, or worked up to 40 cents an hour, that some industrial establishments in Louisiana were forced to shut down. Now, I do not doubt

but what some establishments, which may have been hiring labor very cheaply, or, as some people think, exploiting labor, were forced to close down, to change their ways of doing business. I do not think we should survey the effects from that point of view alone, of its effect on individual cases.

I wonder, Dr. Hinrichs, if you have any figures showing what change, if any, has taken place in the number of people gainfully employed in industry, or the amount of industrial work which has been done in Louisiana since the enactment of the minimum wage law or since it was raised to 40 cents an hour?

Perhaps you better take since the enactment of the law, which started out with 25 cents an hour.

Mr. HINRICHS. The figures for Louisiana that I have begin with the average manufacturing employment in 1939. At that time there were about 99,000 wage and salary workers in the manufacturing industries of Louisiana. Employment increased, very slightly between 1939 and 1940. It then began to increase more rapidly, and the greatest increase was between 1941 and 1942. By the end of 1943 employment in manufacturing had risen to about 176,000, in the fall of that year. Part of that expansion of course was represented by the increase in shipbuilding and aircraft. In those two industries there were about 44,000 or 45,000 more people employed in the fall of 1943 than had ben employed in 1939. But even aside from the expansion in aircraft and shipbuilding, there had been an expansion of something like 30,000 workers in manufacturing industries in Louisiana.

Senator AIKEN. That is other than shipbuilding?

Mr. HINRICHS. That is other than shipbuilding.

Senator ELLENDER. Well, we had a munitions plant in Minden, La., that hired 10,000 people and that has practically closed down.

Senator AIKEN. The minimum wage law would not prevent Louisiana from having a tremendous growth of industrial production.

Senator ELLENDER. Naturally, the war has given full employment, and, of course, that gave vent to the establishment of many industries. I predict that the passage of the bill we are considering will deter manufacturers from building new plants or adding to those already in existence. There may be improvements in existing plants so as to reduce the unit cost of production, but without giving more employment.

Senator AIKEN. Dr. Hinrichs said there was a slight increase in industrial employment between 1939 and 1940.

Mr. HINRICHS. It was almost negligible.

Senator AIKEN. There was no decrease?

Mr. HINRICHS. There was no decrease.

Senator AIKEN. How does this increase of some 76 percent in Louisiana compare with the increase in the country as a whole? Have you any comparison between the increase in Louisiana and the increase in industrial employment, say, in my own State of Vermont, which was not particularly affected by the minimum wage law?

Senator SMITH. You are speaking of the war period now, Senator?

Senator AIKEN. Any period.

Senator SMITH. It seems to me the increase in the war period would be influenced by the way the Government put the plants around the country.

Senator AIKEN. Dr. Hinrichs said there was an increase of 30,000 employees other than the shipyards, which was principally a war industry.

Senator ELLENDER. In Louisiana?

Senator AIKEN. Yes.

Senator ELLENDER. What about the munitions plants? We had in my own little town a small munitions plant that hired 400 people, and it is not now in operation. We had another boat-building plant that hired 500 men and it is closed. New Orleans had several munitions plants and they are not now in operation but I understand they have converted into something else with a much reduced labor load. I think they employed from 2,500 to 3,000 and now it is about 200. In Minden they employed 10,000, and they are closed today, or we may have 150 guards around there now protecting the grounds. I could multiply such examples many times to show that it was the impact of war that caused the expansion indicated.

Senator AIKEN. Nevertheless, Doctor, can you give the figures for my own State?

Mr. HINRICHS. In the case of Vermont, you were employing about 27,000 people in manufacturing industries in 1939. There was an expansion in Vermont which came earlier than in many parts of the country, reflecting an increase in the machine-tool industry. You reached a peak of about 37,000 in 1942, and have been at the level of about 31,000 to 32,000 since the fall of 1944. That is the expansion over the whole period has been from something like 27,000 to 31,000, which is 10 or 15 percent.

Senator AIKEN. It seems to me that would indicate what happened to the question of wages. We had in Louisiana, despite the fact that some concerns had to watch their wages, a greater increase than my State had. Have you the increase in the country as a whole, the percentage of increase in industrial employment?

Mr. HINRICHS. The increase has been not quite as great as was the increase in Louisiana during that period of 1943 and early 1944. Manufacturing employment is up about 70 percent.

Senator AIKEN. Mr. Chairman, what I hoped to show was that an increase in wages does not destroy industry as a whole. In fact, I would say if industries paid good wages it would definitely benefit them by eliminating the competition of those who would work under sweatshop conditions and keep their employees in a poverty-stricken condition all the time.

Senator ELLENDER. In order to make more complete the picture that Senator Aiken started to paint, I wonder if you have any figures as to the number of industrial employees prior to 1939 in the various Southern States? Let us see whether or not there has been a steady growth, as you have indicated, as reflected during the war.

Mr. HINRICHS. Yes. I will be glad to submit for the committee's consideration a study which I made based on the census figures covering the period 1929 to 1937. At that time one of the outstanding facts was that the two main centers of industrial development in the United States were the southeastern States and the Pacific Coast States; 1929 and 1937 were two periods of relatively high levels of employment, and that is the reason for selecting those periods. Employment in manufacturing industries for the country as a whole tended to be slightly higher in 1937 than it was in 1929.

Senator ELLENDER. You do not have the figures available at the moment?

Mr. HINRICHS. Not here. There was about a 20 percent expansion in the southeast in manufacturing employment.

(See Exhibit B—"Trends in Manufacturing Employment, 1929 to 1937," p. 77.)

Senator ELLENDER. Of course, that was due, was it not, primarily to the fact that many industries from the northeast moved to the southeast?

Mr. HINRICHS. As far as I know, the developments in the Southeast in the 1930's have not represented the literal removal of a plant from the Northeast to the Southeast. I think that the period in which second-hand machinery was put in boxcars and on flatcars and shipped south was back before the period of the World War, or perhaps immediately after the war. The strongest industrial development that has come in the South has come out of the development of new plants with new capital, much of it local, and with excellent efficiency. I would say that the development in that period of the thirties in the Southeast represented a strong trend toward industrial development in an area that certainly needed it and that has the resources for industrial development.

Senator ELLENDER. Now, in placing these figures that you contemplate in the record, would it be possible for you to give us some figures for some particular city, such as New Orleans, let us say, from 1935 to 1939, both inclusive, or Savannah, or Montgomery?

In other words, as I understood Senator Aiken's point, it was to show that the change in the minimum wage from 25 cents up to 40 cents had no effect at all, but, on the contrary, I believe his contention is that it probably accelerated it. So, if you do not mind, while you are putting figures in the record, let us have a few as I have indicated. Let us not only cover the period from 1929 to 1939, but let us relegate it to some period when the wages and hours law became effective until, let us say, 1940.

Mr. HINRICHS. I can furnish figures for New Orleans and Savannah. Would I be incorrect, Senator, in my assumption that New Orleans has been one of the outstandingly important ports and commercial centers in the United States, but that manufacturing has played a small role in the economy of New Orleans, a smaller role than it has in some of the other large manufacturing centers? When I speak of all the cities in the United States, my memory occasionally plays tricks on me, but I did not remember that New Orleans had been one of the outstanding manufacturing centers.

There are other southern cities for which I will also be very glad to submit figures that I think may subject the thing to an even better test. I am not trying to evade submitting the figures for New Orleans, you will have them, sir, but I would not look to New Orleans for an exclusive test.

(The figures referred to are as follows:)

Employment in the New Orleans metropolitan area, and cities of Savannah, Ga., and Montgomery, Ala.

	Employment aggregates			Employment indexes (1937=100)		
	1937	1938	1939	1937	1938	1939
New Orleans metropolitan area	20,700	19,300	19,700	100.0	93.2	95.0
Savannah, Ga. (city only) [1]	1,911	----------	1,362	100.0	----------	71.3
Montgomery, Ala. (city only) [1]	2,601	----------	2,507	100.0	----------	96.4

[1] Source: Census of Manufactures, 1939.

Annual averages of indexes of production—Worker employment in manufacturing areas

[1937=100]

Area	1938	1939	1940
Atlanta, Ga	84.5	91.4	96.6
Baltimore, Md	89.0	100.1	113.2
Birmingham, Ala	83.9	95.7	107.9
Chattanooga, Tenn	86.6	93.3	98.6
Jacksonville, Fla	98.4	103.7	110.6
Kansas City metropolitan area	89.1	90.3	95.4
Knoxville, Tenn	81.1	93.8	96.0
Louisville, Ky	85.2	92.8	98.8
Memphis, Tenn	79.0	98.4	98.4
Miami, Fla	87.3	96.9	91.9
Nashville, Tenn	89.9	89.4	90.8
New Orleans, La	93.2	95.0	99.0
Norfolk, Va	82.8	108.0	144.1
Richmond, Va	94.8	101.6	104.1
St. Louis, Mo	82.3	89.7	96.9
Tampa, Fla	98.4	104.6	110.0
Washington, D. C	97.2	98.7	111.0

Source: U. S. Bureau of Labor Statistics, Department of Labor.

Senator ELLENDER. I made the statement yesterday, and I think it can be verified. As a matter of fact I have the data in my office somewhere, that of four concerns that were engaged in the manufacture of clothing two closed and there are only two there now. In respect to the lumber industry, why, a lot of those mills have closed because of this change, so is the case of these engaged in the gathering of resin and turpentine, and industries of that nature. We have had a decided decline in the number of factories and establishments due to the sudden shift in minimum wages.

Senator TUNNELL. Right there, when these figures are furnished, I would like to ask that we have the rate of wages that were paid at that time by those four companies, we will say, or in that neighborhood, if you cannot get them from those four companies, and the rate that is paid now in that community.

Mr. HINRICHS. I will see what I can do on that. That last may entail a little more difficulty as far as our data are concerned. I doubt that they can be gotten.

I would like to call your attention to one thing, Senator Ellender, if I may. I do not want to contradict your statement as to the effect of the minimum wage on a particular group of plants that I do not know as individual plants. I would like you to bear in mind, in looking at the employment figures in some of these industries that you have mentioned, the effect of the relatively low wage levels that had prevailed in those industries upon the ability of those industries to recruit labor. I am quite sure you will find, for example, that in connection with the cotton textile industry, which I know fairly well, that the decline of employment which has occurred in the last 3 years is probably primarily attributable not to absence of orders or the inability of the mills to sell profitably within the present market, but is due much more to the fact that workers who formerly had no alternative opportunity for employment have had an opportunity to move from the cotton textile mills to some of your munitions plants. I would be astonished if that were not one of the very important causes for the decline of employment in lumber in the South.

Senator ELLENDER. There is no doubt about that. For instance, you had a lot of cotton-mill workers who learned how to work on a drill press, or who learned welding, things of that kind; they learned that, I think, in some little 6 weeks' course that the Government gave through the South and other parts of the country. I understand the minimum wage there was $1.25 per hour—I am not certain—and of course you could not blame anybody from going from a job paying only 45 to 50 cents an hour to one paying $1.25. That is over now; the holiday is over; we have got to go back to normalcy.

Mr. HINRICHS. I was talking a day or so ago with the operator of a group of mills, some located in the North and some in the South, who was saying that his chief present difficulty was in recruiting adequate labor for his orders on hand, either in his northern mills or in his southern mills.

Senator ELLENDER. Well, that was due to the fact that industries at that time were competing with each other in the labor market. As you know, when the war broke out, or before the war, in 1940–1941, welders were at a premium, and because of that higher wages were paid to those kind of workers than was paid to others. Such employment at much higher wages was a big drain on the lumber and turpentine industries, the cotton mills, the woolen mills, and also the sugar mills, in fact to many other industries paying less wages.

As a result of this labor shift from the cane fields and cane factories of Louisiana in the last 3 years some fellow invented a cane-cutting machine that is operated by 3 men and can do the work of 60 men. A cane loader was invented last year which can be operated by 1 man and does the work of 24 men, I think. Now, all of that has been done because of the shift of labor, and I believe that the higher wages demanded and actually fixed by law had something to do with it also.

Mr. HINRICHS. The news you have just given about the improvements of technology in the cane fields is one of the most encouraging things I have heard in a long time, because the method through which you get an opportunity substantially to increase the standard of living of people in the United States is to enable them to do a given amount of work with less labor, so that those who continue to be employed can be paid higher wages while those who are released are available for the production of alternative kinds of products. I think what you have been saying would make possible the payment of substantially higher wages than have prevailed for agriculture and would give higher rewards to the farmer, and God knows he needs them.

Senator ELLENDER. That may be true as to the men who operate the machines. In other words, it is a decided advantage to the planter for him to pay $10 a day to the operator of a cane loader that saves the labor of 23 men at $3 a day each. The question is: Where will these 23 men who used to load cane at $3 a day go for employment? I am just wondering what is going to become of them.

Senator TUNNELL. The same question came up when the tractor was invented.

Senator ELLENDER. And the automobile.

Senator TUNNELL. The tractor plowed as much as 200 horses.

Senator ELLENDER. That may be true. The tractors were turned from the fields in 1933. Farmers were on the verge of bankruptcy. Business was at a standstill. We had the greatest depression that ever struck us, and my fear is if we continue to make it impossible for industry to expand in a normal and on a sensible basis we will have a greater depression 5 years from now than we had in 1933. We may decrease the unit cost of production, but that is usually accomplished by labor saving devices and at the expense of the labor market. Larger plants can be built that will use the same amount of labor as a smaller plant, but produce more goods at a cheaper unit cost.

Sure, that is right. The tractor is a big labor-saving device, there is no doubt about that. It not only displaces farm labor but those who raise horses and mules. All of this means that sooner or later we will have to get some way to take care of those people who have been displaced.

Senator TUNNELL. Are there any questions?

Senator SMITH. Mr. Chairman, I would like to ask whether the witness has finished this very interesting report that he started yesterday? I don't know whether he has gone all the way through it. I was interested in some of the points here that he mentioned this morning. Have you finished your testimony?

Mr. HINRICHS. The staff of the committee had asked me to make available certain materials with reference to currently prevailing wages. The last page of my prepared testimony deals with the distribution of wage rates at the present time. I will be very glad to present that or to have it inserted in the record, depending on the convenience of the committee.

Senator SMITH. I am interested in the basic question, whether the minimum wage we are discussing is going to tend to unemployment in any part of the country. We do not want to throw people into unemployment if we make this too high. On the other hand, I am impressed with this reference to the cost of living as the basis for the new minimum wage.

You are talking constantly of the cost of maintaining a family. Do we need to establish the same minimum wage for an individual earner which we propose when we are using the family cost of living as our yardstick? I do not think you make any distinction, but I am a little troubled by what seems to be a difference from the standpoint of living costs.

Mr. HINRICHS. I do not know any way in which you can make a distinction. I do know in every one of the low wage industries you find large numbers of people engaged in those industries who are in fact the sole support of a family or else where the wife is forced to work simply because of the complete inadequacy of the husband's earnings.

There may very well also be individuals in those industries who do not have to support a family, although one of the things that is most striking in the studies which we have made and which also the Women's Bureau has made, is the extent to which people are dependent on the earnings of girls who are working, for example, in which the girl's earning is essentially the support for the family. The mere fact that the person is relatively young, unmarried and wears a skirt does not always distinguish her in her responsibilities from the male of the species. But I would not know, frankly, how to advise you if you wanted to separate the two categories and establish one wage for the support of a family and another wage for the support of people who are responsible only for their own support. Some countries paying low wages to all workers then have the state give a family allowance to the man with children. Even the level of cost for a single person is higher than is generally believed, although the Women's Bureau is better informed than I am on the cost of the budget for a single person.

Senator SMITH. We want to find a basis on which the family can live in decency in this country, but I cannot reconcile the figure in my own mind that you use for the support of a family with the figure for the support of a person without a family.

Senator TUNNELL. There are so many millions who do have families and who are not aided by any other salary or wage that it seems to me you pretty nearly have to consider the fellow with the family who is the sole wage earner. I do not want to interrupt.

Mr. HINRICHS. Now, if I may pursue this point, I have said that it is my expert opinion that the evidence is conclusive on the side of the desirability of a standard of living even higher than would be represented by the 75-cent minimum wage, if there is any way in the world in which that can be done.

On the side of the practicability of a 75-cent wage, or 65-cent wage, you have obviously got to start by looking at the wages which are now being paid. There are certain points in connection with wage information where I think you can say conclusively that a 65-cent or 75-cent minimum wage is immediately and obviously feasible. There are other points where you find that there are substantial numbers of people earning less than 65 cents. However, the fact that a number of people are earning less than 65 cents is not conclusive evidence that the wage cannot be paid. In order to determine feasibility in those areas you have got to study a whole series of factors, in which other people are much more expert than I. You, undoubtedly, are going to hear testimony on that subject. But you have got to take into account the existing profits in the industry, the feasibility of small price increases if they are indispensable to the attainment of your objective, the prospects for further increases in labor productivity, the contrast between the cost of production under efficient methods of production, and the cost of production currently obtaining with less efficient methods of production.

All of those factors have got to be taken into account before you are in a position to say, that a 65-cent wage is not feasible. So, what my wage information I think shows, to be precise about it and to distinguish it from the dogmatism which I took from the standard of living, is that in certain areas I can identify the definite feasibility of 65 cents, and I can identify the areas to which you may want to extend your studies.

Now, with that as a background, let me just review what the distribution of wages is in the manufacturing industries at the present time. For a variety of reasons, partly due to the minimum-wage legislation which we had on our books which made it possible and, indeed, mandatory to get wages up to at least 40 cents by 1945, partly due to price rises and the general increase of wages during the war, there has been a very marked change during the war in the number earning less than the minimum figure of 40 cents an hour. In January of 1941, for example, there were a little more than 1,500,000 wage earners in manufacturing industries who were making less than 40 cents an hour, and another 1,400,000 who were making between 40 and 50 cents an hour. Those figures are shown in the first column of the first table of the statement which I distributed yesterday. That means that about 3,000,000 people were making less than 50 cents an hour back in 1941.

Senator AIKEN. How many were employed then, Doctor?

Mr. HINRICHS. About 9,500,000 in manufacturing industries. That is, a little over 30 percent at that time.

Now, in every industry covered by the Wage and Hour Administration a wage of 40 cents an hour, which is the maximum that it can order, has been ordered. So that it is fair to say that at the present time there are virtually no wage earners in manufacturing industries who are legally paid less than 40 cents an hour, and, actually—while I cannot speak on violations of the law—the pressure of the market has been such that, generally speaking, manufacturers have wanted to pay more than they were required to pay by the minimum wage law—not less. I therefore cannot give you any significant figure for the number now earning less than 40 cents an hour. At the present time only about 330,000 people in all manufacturing industries, out of a total of 12,000,000, today are earning less than 50 cents an hour. That is, it is a mistake to assume that the legal minimum at this moment has anything to do with the going wage structure. If you would ask as of today how much can manufacturing industry afford to pay as a minimum wage, without any question whatever, it would seem to me you could more or less start by saying, "Well, what are they paying?" They are paying that much. They are paying that voluntarily. The answer is there is almost no manufacturer paying any of his workers today less than 50 cents an hour.

Senator ELLENDER. Isn't that due to the fact that these manufacturers were in full production and that a little above 50 percent of their business was with the Federal Government as a purchaser? They took no chances. Could you compare such a condition with that which will prevail when we return to normal times?

Mr. HINRICHS. I am not completely expert here, Senator.

Senator TUNNELL. I understand that there are a number of witnesses who have come here from a distance. They are being kept at more or less of a hardship to them. We will hear those witnesses tomorrow, and we will ask Dr. Hinrichs not to come tomorrow morning. We will hear him at a later date, if that is agreeable to him.

Mr. HINRICHS. I will be here at your convenience, Senator.

Senator TUNNELL. Very well. We will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:01 p. m., an adjournment was taken until 10 a. m., Thursday, September 27, 1945.)

EXHIBIT A

UNITED STATES DEPARTMENT OF LABOR
Frances Perkins, *Secretary*

BUREAU OF LABOR STATISTICS
Isador Lubin, *Commissioner* (on leave)
A. F. Hinrichs, *Acting Commissioner*

DESCRIPTION OF THE COST OF LIVING INDEX OF THE BUREAU OF LABOR STATISTICS

(Prepared in the Prices and Cost of Living Branch
Aryness Joy Wickens, Chief, December 1, 1943)

The Bureau of Labor Statistics cost-of-living index is designed to measure changes in the prices paid for goods and services by city families wth moderate incomes. It is a price barometer, not a measure of changes in the total amount spent for family living.

The cost-of-living index was first issued in February 1921. It covers prices and rents as of the 15th of each month. The final national index is usually published about the 15th to the 20th of the following month. Thus the index for October, covering prices as of October 15, was completed by November 20.

The index measures the changes in prices of food, clothing, rent, fuel, housefurnishings, transportation, personal services, and a variety of miscellaneous goods and services purchased by families of moderate income.

CITIES COVERED BY THE COST OF LIVING INDEX

The national cost-of-living index represents cities of more than 100,000 population. It is often referred to as a "34 city index." In fact, however, for 4 months of the year (March, June, September, and December) the index is based upon changes in food prices in 56 cities and changes in prices of all other important goods and services in 34 cities. For the other 8 months of the year the index is calculated on the basis of food prices in 56 cities and prices of other commodities and services, with the exception of rents, in 21 cities. Rents, which in most cases have changed slowly since OPA rent control became effective, are obtained quarterly.

The cities covered are listed below:

Thirty-four large cities[1]

Atlanta	Jacksonville	*Pittsburgh*
Baltimore	*Kansas City, Mo.*	Portland, Maine
Birmingham	*Los Angeles*	Portland, Oreg.
Boston	Manchester, N. H.	Richmond, Va.
Buffalo	Memphis, Tenn.	*St. Louis*
Chicago	Milwaukee	*San Francisco*
Cincinnati	*Minneapilis*	*Savannah*
Cleveland	Mobile	Scranton
Denver	New Orleans	*Seattle*
Detroit	*New York*	*Washington, D. C.*
Houston	Norfolk	
Indianapolis	*Philadelphia*	

[1] Indexes are prepared each month for the cities which are italicized, and quarterly for the other cities listed.

Food Survey cities, in addition to the 34 large cities

Bridgeport, Conn.
Butte, Mont.
Cedar Rapids, Iowa
Charleston, S. C.
Columbus, Ohio
Dallas, Tex.
Fall River, Mass.
Jackson, Miss.
Knoxville, Tenn.
Little Rock, Ark.
Louisville, Ky.
Newark, N. J.
New Haven, Conn.
Omaha, Nebr.
Peoria, Ill.
Providence, R. I.
Rochester, N. Y.
St. Paul, Minn.
Salt Lake City, Utah
Springfield, Ill.
Wichita, Kans.
Winstom-Salem, N. C.

These 56 cities include 81 percent of the population of American cities of more than 100,000 population and the 34 large cities over 72 percent.[2]

The map (map 1) shows that these cities are concentrated in the large industrial areas. There are 11 States that are not represented in the national index, as well as a number of industrial areas made up of small communities, such as the coal-mining, textile, and metal-mining centers.

OTHER CITIES SURVEYED FOR CHANGES IN THE COST OF LIVING BUT NOT INCLUDED IN THE NATIONAL INDEX

As a part of its recently expanded program to collect cost-of-living data for the use of war agencies, the Bureau also collects information on changes in retail prices and the cost of living in other communities. Local cost-of-living indexes which are not incorporated in the national index have been compiled for 32 additional cities and are estimated from partial data for another 7, making 73 in all. Reports are not available as promptly for these cities as promptly as for those in the national index. The additional cities include 20 small cities selected to be generally representative of all cities of 5,000 to 50,000 population, and 12 war production centers, both large and small, in which the impact of war activities on the prices paid by consumers has been important. They are listed below:

Small Cities

Battle Creek, Mich.
Bloomington, Ind.
Chester, S. C.
Clarksburg, W. Va.
Clinton, Iowa
Falls City, Nebr.
Globe, Ariz.
Goldsboro, N. C.
Jonesboro, Ark.
Lebanon, Pa.
Mattoon, Ill.
Oconto, Wis.
Oswego, N. Y.
Stillwater, Okla.
Torington, Conn.
Vicksburg, Miss.
Vineland, N. J.
Walla Walla, Wash.
Watertown, S. Dak.
Zanesville, Ohio

War Production Centers

Bridgeport, Conn.[3]
Charleston, S. C.[3]
Corpus Christi, Tex.
Gadsden, Ala.
Newark, N. J.[3]
Newport News, Va.
Omaha, Nebr.[3]
Phoenix, Ariz.
San Diego, Calif.
South Bend, Ind.
Vallejo-Benecia, Calif.
Wichita, Kans.[3]

[2] Of the 34 cities, 4 had a population of less than 100,000 in 1940—Manchester, N. H., Mobile, Ala., Portland, Maine, and Savannah, Ga. With the possible exception of Manchester, these are now above 100,000, due to wartime expansion. Of the 56 food-survey cities, 8 in addition to these 4, were under 100,000 population, and 1 was under 50,000 in 1940. They were included in order to obtain better geographical representation. Indications are that price changes in the cities of 100,000 population and over are quite similar to those in cities of 50,000 to 100,000 population; and so, in combining city indexes, account has been taken in the weights of cities of this size surrounding the large cities.

[3] These cities are also included in the 56 cities in which the Bureau collects food prices each month.

Estimates of changes in the cost of living are also made quarterly for the following seven cities[3] for which current figures on foods, rents, and fuels alone are collected:

Dallas, Tex.
Knoxville, Tenn.
Little Rock, Ark.
Louisville, Ky.
New Haven, Conn.
Peoria, Ill.
Rochester, N. Y.

Rents are now being obtained in many cities at the request of the Office of Price Administration for use in evaluating its rent program.

GOODS PRICED FOR THE COST-OF-LIVING INDEX

A typical bill of goods and services that families buy is priced for the index. It has been constantly adjusted since March 1935 for necessary changes that have resulted from normal market developments as well as from the rapid wartime changes in consumers' goods available for civilians. Staple lines, many of which are still available, are the principal components of the index both in peacetime and in wartime.

The list of goods priced for the index includes 183 articles widely bought by workers' families and esential services which they use.[4] No luxuries are included. For many goods a number of different grades and qualities are priced, as, for example, in September 1943, when the index included prices for 342 different articles and qualities of articles.

The selection of articles to be priced was made on the basis of an extensive study of actual expenditures of over 14,000 wage earners' and clerical workers' families conducted by the Bureau in 1934–36.[5] Each family listed the goods it bought, including detailed purchases of food for the previous week, and gave the amounts spent for each class of purchases. Information was also obtained on income and on taxes and savings.

Since it obviously would be impossible to price everything consumers buy, a representative list was selected for the cost-of-living index. All essentials commonly bought by city families were included, and other goods were selected on the basis of the general demand for them and their importance in the total family budget.

Where any one of a number of articles in a given group, such as women's clothing, was chosen as representative of the group as a whole, selection was also based on the extent to which the price change of the particular commodity in the past had been typical of changes for the entire class which it represented. Thus, prices for women's cotton dresses are used to represent changes in the prices of cotton dresses, aprons, and coveralls. Coil bedsprings, whose prices usually move in approximately the same manner as the prices of other bedsprings, metal beds, and cots, were chosen to represent this entire group. Sheets, towels, and curtains were selected to represent other cotton household textiles, i. e., tablecloths, bedspreads, couch covers, and dresser scarfs. Changes in prices for adjusting and relining brakes, overhauling and repairing clutches, and for lubricating chassis of automobiles were chosen to represent changes in the cost of general repairs and maintenance of an automobile.

Foods priced.—The list of foods for which prices are secured includes all staple foods, such as bread, milk, butter, potatoes, cabbage, various cuts of meat, canned fruits and vegetables, and a few fresh fruits and vegetables, fish, and poultry. This list was not changed from March 1939 until March 1943, when seven foods were added, including hamburger, liver, rolled oats, and certain other foods which were bought in larger quantities because of rationing. Restaurant meals are not priced.

[4] For a complete list, see table II, appended.

[5] U. S. Department of Labor, Bureau of Labor Statistics Bull. No. 638, Money Disbursements of Wage Earners and Clerical Workers, 1934–36, Summary Volume.

The list of foods now included in the cost-of-living index is given below:

- Cereals and Bakery Products:
  - Flour, wheat
  - Macaroni
  - Corn flakes
  - Corn meal
  - Rolled oats
  - Bread, white
  - Bread, whole wheat
  - Bread, rye
  - Vanilla cookies
  - Soda crackers
- Meats:
  - Beef:
    - Round steak
    - Rib roast
    - Chuck roast
    - Liver
    - Hamburger
  - Veal: Cutlets
  - Pork:
    - Chops
    - Bacon, sliced
    - Ham, sliced
    - Ham, whole
    - Salt pork
  - Lamb:
    - Leg
    - Rib chops
  - Poultry: Roasting chickens
  - Fish:
    - Fish, fresh, frozen
    - Salmon, pink, canned
- Dairy products:
  - Butter
  - Cheese
  - Milk, fresh
  - Milk, evaporated
- Eggs, fresh
- Fruits and vegetables:
  - Fresh fruits and vegetables:
    - Apples
    - Bananas
    - Oranges
    - Beans, green
    - Cabbage
    - Carrots
    - Lettuce
    - Onions
    - Potatoes
    - Spinach
    - Sweetpotatoes
  - Canned fruits and vegetables:
    - Peaches
    - Pineapple
    - Grapefruit juice
    - Beans, green
    - Corn
    - Peas
    - Tomatoes
  - Dried fruits and vegetables:
    - Prunes
    - Navy beans
- Beverages:
  - Coffee
  - Tea
- Fats and oils:
  - Lard
  - Shortening other than lard:
    - In cartons
    - In other containers
  - Salad dressing
  - Oleomargarine
  - Peanut butter
- Sugar and sweets:
  - Sugar
  - Corn sirup

Clothing.—The clothing that is priced includes the customary purchases of the ordinary city family, such as men's suits, overcoats and topcoats, work clothing, and shirts; women's dresses, skirts, hats, and coats; shoes for men, women, and children; and various accessories. The only important groups not covered are infants' clothing and some kinds of boys' and girls' clothing.

Housefurnishings.—Changes in prices of furniture and housefurnishings are measured by the more important furnishings, such as living-room and dining-room suites, studio couches, mattresses and bedsprings; stoves, refrigerators, and washing machines; sheets, blankets, towels, and curtains; and certain china and glassware. So little furniture and equipment is now available in the market that many articles formerly included have been dropped from the list because they cannot be purchased now by the average family.

Fuel and light.—All kinds of fuel are priced, with particular emphasis on fuels that are locally important. Thus, in addition to coal, fuel oil, and kerosene, stove and fireplace wood is priced in New England, in the Pacific Northwest, and in other regions where it is widely used; and sawdust is priced in Seattle, Wash., and Portland, Oreg. Typical bills for gas and electricity are obtained in all the large cities. Ice for household use is also priced.

Rents.—The rental index now shows changes in the average rental bill for all types of family dwellings occupied by tenants. Boarding houses, rooming houses, or light-housekeeping rooms are not included.

Until the autumn and winter of 1942, information on rents was collected by the Bureau from rental management agencies, such as real-estate firms and trust companies. Since that time, in order to get more accurate figures, information has been obtained directly from tenants in all of the cities included in the Bureau's index.

Miscellaneous goods and services.—This group includes services, transportation, recreation, and a variety of household supplies. Transportation is represented by changes in bus, streetcar, and railroad fares and the cost of automobile maintenance. Before Pearl Harbor, changes in prices of automobiles and tires were also included.

Generally used services like laundry and dry cleaning, and personal services such as haircuts for men and haircuts and permanent waves for women, are included. Ordinary medical and dental charges—for example, the cost of an office and a house visit, a tonsillectomy, and prices of most commonly used drugs and prescriptions—are obtained. Changes in the cost of local admissions for movies, telephone rates, and the prices of daily newspapers are also part of this group.

CHANGES SINCE THE OUTBREAK OF THE WAR

It has always been the Bureau's policy to keep the list of articles priced for the cost-of-living index as nearly up to date as possible. Since the outbreak of the war, with the great change in kinds of goods on the market for civilians, it has been necessary to compute the index without many articles which had formerly been priced. Most important are automobiles and tires; some furniture and household equipment, such as washing machines and radios; and silk hosiery and other articles made of silk. New wartime substitutes, including rayon hosiery and ice refrigerators, have been added whenever they were generally available.

The following table gives a record of the adjustments made in the list of articles since Pearl Harbor, in order to keep the index in line with market developments. These adjustments were made in each of the 34 cities at various times, as the goods actually disappeared from retailers' stocks.

TABLE I

Article	Date	Action
Automobiles	Jan. 15, 1942	New cars dropped from entire index.
Do	June 15, 1942	Used cars dropped in eastern seaboard cities and weight cut in half in other cities.
Do	Dec. 15, 1942	Used cars dropped from index as gasoline rationing was extended to entire country.
Tires and tubes	Jan. 15, 1942	New tires and tubes dropped from index.
Do	Feb. 15, 1942	Used tires and tubes dropped from index in 5 cities in which they were not available for purchase.
Do	Mar. 15, 1942	Used tires and tubes dropped from the index in all other cities.
Automobile repairs	Jan. 15, 1942	Weight increased 10 percent in index.
Gasoline and oil	June 15, 1942	Weight reduced by one-half in eastern seaboard cities and by one-third in rest of country.
Do	Dec. 15, 1942	Gasoline and oil weight reduced by an additional 25 percent in cities outside eastern seaboard.
Do	Jan. 15, 1943	Gasoline weight reduced by 10 percent in cities of eastern seaboard.
Streetcar and bus fares	Jan. 15, 1942	Weight increased in all cities in accordance with reports ffom local transportation companies.
Automobile insurance and taxes	Dec. 15, 1942	Weight reduced 10 percent in index.
Fuel oil	do	Weight reduced one-third in limitation area defined in ration order No. 11.
Electric refrigerators	June 15, 1942	Dropped from entire index.
Gas refrigerators	do	Dropped from city indexes, as stocks have been exhausted in 30 of the 34 cities.
	Mar. 15, 1943	
Washing machines	June 15, 1942	Dropped from city indexes, as stocks have been exhausted in all of the 34 cities.
	Sept. 15, 1942	
Radios	June 15, 1942	Dropped from city indexes, as stocks have been exhausted in 30 of the 34 cities.
	Mar. 15, 1943	
Metal bedsprings	Sept. 15, 1942	Dropped from city indexes, as stocks have been exhausted in 24 of the 34 cities.
	Mar. 15, 1943	
Studio couches	Sept. 15, 1942	Do.
	Mar. 15, 1943	
Sewing machines	June 15, 1942	Dropped from city indexes, as stocks have been exhausted in 11 of the 34 cities.
	Mar. 15, 1943	
Vacuum cleaners	June 15, 1942	Do.
	Mar. 15, 1943	
Gas cook stoves	June 15, 1942	Dropped from city indexes, as stocks have been exhausted in 6 of the 34 cities.
	Sept. 15, 1942	
Silk stockings	Sept. 15, 1942	Dropped from city indexes, as stocks have been exhausted in all of the 34 cities.
	Dec. 15, 1942	
Rayon stockings	Sept. 15, 1942	Added to all city indexes.
Cotton hose for women and girls	Sept. 15, 1942	Do.
Silk yard goods and silk slips	June 15, 1942	Dropped from city indexes, as stocks have been exhausted in all of the 34 cities.
	Dec. 15, 1942	
Rayon yard goods and rayon slips	June 15, 1942	Weights increased as silk yard goods and silk slips were dropped.
	Dec. 15, 1942	
Mattresses	Sept. 15, 1942	Weights for innerspring mattresses dropped from city indexes, as supplies have been exhausted in all 34 cities.
	Mar. 15, 1943	
Do	Mar. 15, 1943	Cotton felt mattresses priced wherever available (22 cities).

Source: Monthly Labor Review, July 1943. Faith M. Williams, Bureau of Labor Statistics' Cost of Living Index in Wartime.

Changes in descriptions of articles priced.—In addition to changes made in the basic list of items priced revisions of equal importance are made from time to time in the detailed descriptions of the items to be priced. Since 1942, with the rapid changes in consumer goods available to civilians, the Bureau has followed the policy of revising much more frequently than usual the descriptions used in obtaining prices for all of the articles included in the index. In September 1942, the description of 54 grades or qualities of articles priced were rewritten; in June 1943, 68; and in September 1943, 57, which included practically all the types of clothing, shoes, and furniture priced for the index.

SELECTION OF STORES FROM WHICH PRICES ARE OBTAINED

The stores from which prices are obtained are selected to be representative of those in which wage earners and other families with moderate incomes buy. They include the following:

Food.—A total of 1,129 independent food stores are canvassed in 56 cities, and 208 chain organizations or their branches, representing approximately 8,650 individual stores, report prices for various cities. Information is also furnished by 152 dairies and 340 bakeries. Thus, all told, the Bureau's reports on changes in food prices represent about 10,260 individual food dealers.

In the selection of food stores, independent stores are chosen from those districts where most residents are families of modern income. Moderate rent level areas located within the city proper, but within easy commuting distance of plants and factories, are selected, and all important racial and nationality groups are represented. In making the selection of these stores their sales volume is considered, so that the number of stores in each major size group (sales of less than $20,000; $20,000 to $50,000; $50,000 to $250,000; and over $250,000) is given its approximate importance in the city total, based on the latest information available from the Bureau of the Census.

Chain grocery organizations generally operate in all parts of the city, and their prices are, therefore, representative of the entire city. When both supermarkets and service stores are operated by a chain organization, prices for each type of outlet are obtained separately.

Currently the Bureau is reviewing the location of its stores in consultation with local representatives, adding stores where necessary and making plans to cover newly built residential areas around war plants.

Prices of other goods and services.—Prices for goods and services other than food are obtained from 3,900 stores and service establishments in the 34 large cities which families with moderate incomes patronize, including department stores, shoe and clothing stores, laundry and dry-cleaning establishments, beauty and barber shops, and automobile repair shops. These establishments are chosen on the basis of location, size and type of clientele, size and kind of store, the kind of operation—that is, chain or independent—and the kind of goods sold or services rendered. The selection is based on information obtained from local sources, such as trade organizations, records of public utilities, and newspaper surveys. As a rule the stores are located in the city proper, not in suburban areas, although reports for such services as laundry, shoe repairs, and barber shops are obtained in neighborhood shopping districts.

National, sectional, and local chains are covered as well as independent stores. Prices for shoes, clothing, and household equipment are obtained from department stores, men's clothing stores, family shoe stores, women's specialty stores, furniture stores, and utility-operated appliance stores. The list of these stores is also subject to continued scrutiny, and changes are made periodically.

Rents.—Rents are obtained for 54,000 dwellings in 34 cities directly from tenants.[6] As a rule, the selection of representative houses is now made by choosing sample blocks at random throughout the city, using census housing bulletins of block statistics or city block maps from which nonresidential blocks have been eliminated, and then either surveying the entire block or selecting homes at random within each block, depending upon the number of houses to be surveyed. The number of rental dwellings included varies by the size of city, with a relatively smaller representation in the large cities than in smaller ones.

HOW PRICES ARE COLLECTED

Prices for all articles except coal, gas, and electricity are collected by personal visits of representatives of the Bureau, who call upon merchants and obtain

[6] This varies as houses are sold or converted. Thus, in September 1943, the total was 52,000.

prices for the articles most nearly answering the description given in the Bureau's list.[7] Thus, the agent does not ask for the price of "a medium-priced shirt," but talks with the buyer about which shirt in the present stock most nearly answers this description:

"Shirt: business; broadcloth, combed yarn, 136 by 60 or similar construction; preshrunk; white; collar attached, may or may not have fused collar, full sized, well made; 28½ to 29 yards per dozen, based on 36-inch material and neckband size scale 14 to 17."

The Bureau's representatives are instructed to carry with them the prices reported in the previous month and a description of the article which was then priced, and note any changes. This procedure is followed in order to obtain, as nearly as is possible, reports on the same kinds and qualities of goods from one period to another.

The representatives are instructed to obtain prices actually charged, not nominal prices. If an article is not available, no price is obtained, unless the dealer is only temporarily out of stock and gives the price at which supplies were sold on the previous day or are to be quoted on the following day. In such cases a report is made to the Bureau. If a different product has replaced the one formerly priced, the agent obtains a complete description of the new product and prices for the current and preceding periods wherever possible.

As a rule the agent, as well as obtaining selling prices and quality information from buyers or department heads, examines the merchandise and checks price tags or listed prices. The Bureau has made a number of special tabulations comparing published ceiling prices and actual selling prices for the administrative use of the Office of Price Administration. These studies show numerous above-ceiling prices reported to the Bureau by local merchants. Thus, for pork, 25 percent of the prices reported were above ceilings in April 1943; 21 percent in May; 49 percent in July (following the second OPA cut-back of pork prices); and 40 percent in August.[8]

Prices for coal, fuel oil, wood, and gas are obtained by mailed questionnaires, supplemented by personal visits by agents at least once a year to make certain that reports are correct, and more often if necessary to correct errors. For electricity, the Bureau utilizes information assembled by the Federal Power Commission.

Food prices are collected by local residents of the 56 cities surveyed. They work on a part-time basis under the supervision of the Bureau's full-time agents and have been especially trained for this work. About 90 such agents were engaged in the price collection in September 1943. Many of these local representatives are housewives or persons engaged in some other line of work who are unable to accept full-time employment, but who can undertake part-time work for the Bureau. They have the qualifications and training equivalent to the civil-service classification of professional grades P–1 and P–2.

Rents are also obtained by part-time local agents (nearly 400 were employed in September) under the supervision of the Bureau's full-time staff. Prices of other articles, such as clothing and housefurnishings, where the definition of grade and quality requires considerable experience, are obtained by the 21 full-time trained field representatives on the Bureau's staff.

DETERMINING THE RELATIVE IMPORTANCE OF THE COST-OF-LIVING ITEMS IN THE INDEX

In order to give a true picture of changes in prices as they affect the cost of living, account must be taken of the relative importance of each item in the total family budget. Since bread is more important than cheese and both are more important than bananas, allowance must be made for that fact.

In making the Bureau's index, the importance of each article priced was determined city by city on the basis of actual reports collected in the 1934–36 survey of expenditures of wage earners and clerical workers, the same survey from which the list of goods was selected. Thus, pork and corn meal are bought in larger quantities in southern cities, while beef and lamb are more popular in northern cities. Housing and fuel take a smaller share of the budget in southern cities because of the differences in climate and in income. (It is partly for this reason that the Bureau follows the policy of computing local indexes which are then combined into a national picture.)

[7] For certain services, such as doctors' fees, information is obtained by telephone, with personal calls at longer intervals than once a month or once a quarter.

[8] In making such reports, the Bureau does not report the names of the stores charging above-ceiling prices, as it is a fact-finding agency, not an enforcement agency.

Moreover, since the list of articles priced is representative rather than exhaustive, each article priced has been given the relative importance in the budget both for the article named and for similar goods which in the past have shown approximately the same price trends. For example, five kinds of pork are priced—chops; bacon; ham, sliced and whole; and salt pork. These five are given an importance representing all pork prices. This is based on studies of the individual items and the selection of those which in general reflect the trend of prices for other cuts.

Adjustments in relative importance of goods because of wartime.—The war has brought great changes in the relative importance of the goods American city families buy, and the Bureau of Labor Statistics has adjusted its index accordingly. For example, after Pearl Harbor local public transportation became more important, when new automobiles and tires were no longer available to civilians under ordinary circumstances; an appropriate adjustment was made in each city index, based upon the best local reports available from public utilities on the increased use of busses and streetcars. At the same time, since automobiles were required to last longer, the relative importance of automobile maintenance costs was increased; gasoline was reduced as rationing proceeded; and prices of new automobiles and tires were dropped completely from the index. As already indicated, many articles of furniture and household equipment were also dropped, thereby increasing the importance of the items remaining in the index.

In March 1943 a revision was made in the importance of the various foodstuffs in the index and seven new foodstuffs, such as liver, hamburger, and grapefruit juice were added to the index because of their increased importance in the family budget. At that time, because of rationing of sugar, meats, and canned fruits and vegetables, a complete realinement was made in the food-price index to take account of changes in consumption. The revision was based upon the estimated amount of food of each kind available in the years 1935–39 in relation to the amount available for civilian consumption in the year 1943, obtained from data provided by the Department of Agriculture, the War Production Board, the Office of Price Administration, and other sources. The net result of this revision was to reduce greatly the importance of such items as bananas and tea, to cut down the importance of beef and canned goods, and to increase the importance of cereals, milk, and poultry.

The combined effect of these changes in the make-up of the index and the relatively greater rise in food prices than in other prices has resulted in a gradual increase in the importance of food in the estimated over-all cost of the family budget. Whereas in 1935–39 food comprised 35.4 percent of the family budget for families with moderate incomes, it is now estimated to represent over 41 percent of the total cost of the wartime family budget priced by the Bureau. In this connection, it should be noted that the cost-of-living index has never included income taxes and savings.

The list of goods priced and their relative importance in the index was tested by the Survey of Spending and Saving in 1942, which covered the buying of 1,300 typical American city families in the year 1941 and the first quarter of 1942.[9] It indicated that the basic pattern of buying had not changed materially from that of the mid 1930's. There has been no study of family expenditures since that time, and it is impossible to know exactly what has happened to the pattern of family buying under the impact of new taxes and higher prices. Undoubtedly the manner of living for many families is now different, but the over-all picture will probably not be greatly changed except for those obvious changes for which allowance has already been made in the index.

The attached table shows the importance of each item in the index, and of the major groups, in March 1943 (table II).

[9] Source: U. S. Department of Labor, Bureau of Labor Statistics Bulletin No. 724—Income and Spending and Saving of City Families in Wartime.

TABLE II.—*Relative importance of items priced for the cost-of-living index in large cities*[1]

FOOD

Item	Average in 1935–39		Mar. 15, 1943	
	Group index	Total cost-of-living index	Group index	Total cost-of-living index
	Percentage distribution of costs			
All food items	100.0	35.4	100.0	41.8
Cereals and bakery products	15.6	5.5	14.1	5.9
Cereals:				
Flour, wheat	1.8	.6	1.7	.7
Macaroni	1.0	.4	.9	.4
Corn flakes	1.4	.5	1.1	.5
Corn meal	.3	.1	.3	.1
Rolled oats	(2)	(2)	.5	.2
Bakery products:				
Bread:				
White	5.7	2.4	5.7	2.4
Whole-wheat	.8	.3	.7	.3
Rye	1.2	.4	1.0	.4
Cake, vanilla cookies	1.8	.6	1.7	.7
Soda crackers	.6	.2	.5	.2
Meats, fish, and poultry	28.2	10.0	28.7	12.0
Beef:				
Round steak	3.8	1.3	2.8	1.2
Rib roast	4.6	1.6	3.3	1.4
Chuck roast	1.7	.6	1.3	.5
Liver	(2)	(2)	.6	.2
Hamburger	(2)	(2)	1.1	.5
Veal: Cutlets	1.9	.7	1.5	.6
Pork:				
Chops	3.5	1.2	3.5	1.5
Bacon, sliced	1.9	.7	1.8	.8
Ham:				
Sliced	(2)	(2)	1.0	.4
Whole	2.2	.8	1.4	.6
Salt pork	.3	.1	.3	.1
Lamb:				
Leg	1.2	.4	1.0	.4
Rib chops	1.3	.5	1.1	.5
Poultry: Roasting chickens	3.3	1.2	5.5	2.3
Fish:				
Fresh, frozen	1.7	.6	2.2	.9
Salmon, pink, canned	.8	.3	.3	.1
Dairy products	19.1	6.8	19.4	8.2
Butter	5.4	1.9	4.7	2.0
Cheese	1.6	.6	1.6	.7
Milk:				
Fresh (delivered)	11.1	3.9	8.6	3.6
Fresh (store)			3.4	1.4
Evaporated	1.0	.4	1.1	.5
Eggs	5.5	1.9	6.2	2.6
Fruits and vegetables	21.6	7.7	24.1	10.1
Fresh:				
Apples	2.1	.7	2.3	1.0
Bananas	1.4	.5	.5	.2
Oranges	3.4	1.2	4.4	1.8
Beans, green	.8	.3	1.4	.6
Cabbage	.7	.3	.9	.4
Carrots	.9	.3	1.1	.5
Lettuce	1.7	.6	1.7	.7
Onions	1.1	.4	1.4	.6
Potatoes	3.2	1.1	4.6	1.9
Spinach	.8	.3	1.0	.4
Sweetpotatoes	.4	.1	.7	.3
Canned:				
Peaches	.6	.2	.3	.1
Pineapple	.4	.2	.1	(2)
Grapefruit juice	(2)	(2)	.4	.2
Beans, green	(2)	(2)	.2	.1
Corn	.7	.3	.5	.2
Peas	.9	.3	.6	.2
Tomatoes	1.5	.5	1.1	.5
Dried:				
Prunes	.6	.3	.5	.2
Navy beans	.4	.1	.4	.2

See footnotes at end of table, p. 75.

TABLE II.—*Relative importance of items priced for the cost-of-living index in large cities* [1]—Continued

FOOD—Continued

Item	Average in 1935–39		Mar. 15, 1943	
	Group index	Total cost-of-living index	Group index	Total cost-of-living index
	Percentage distribution of costs			
Beverages	3.4	1.2	1.6	0.7
Coffee	2.6	.9	1.4	.6
Fats and oils	.8	.3	.2	.1
Lard	3.2	1.1	3.7	1.4
Other shortening	1.1	.4	1.3	.5
In cartons	.7	.2	.5	.2
In other containers	(4)	(4)	.2	.1
Mayonnaise, salad dressing	(4)	(4)	.3	.1
Oleomargarine	.9	.3	.8	.3
Peanut butter	.3	.1	.6	.2
Sugar and sweets	.2	.1	.5	.2
Sugar	3.4	1.2	2.2	.9
Corn sirup	3.4	1.2	1.6	.7
	(3)	(3)	.6	.2

CLOTHING

All clothing items	100.0	11.0	100.0	12.1
Wool clothing	32.1	3.5	31.8	3.8
Men's—				
Overcoats	2.8	.3	2.5	.3
Topcoats	1.3	.1	1.3	.2
Suits	11.3	1.3	11.8	1.4
Trousers	1.3	.1	1.4	.2
Jackets	1.1	.1	1.0	.1
Sweaters	1.9	.2	1.8	.2
Women's—				
Coats:				
Heavy, fur-trim	3.7	.4	3.4	.4
Heavy, plain	1.9	.2	1.7	.2
Light, plain	1.9	.2	2.0	.2
Skirts	1.8	.2	1.9	.2
Dresses	1.0	.1	.9	.1
Hats	1.6	.2	1.6	.2
Girls' coats	.5	.1	.5	.1
Cotton clothing	19.9	2.1	22.0	2.8
Men's—				
Suits	.1	(3)	.1	(3)
Trousers	.9	.1	.9	.1
Overalls	1.1	.1	1.2	.2
Shirts:				
Work	1.3	.1	1.4	.2
Business	3.3	.4	3.3	.4
Pajamas	1.1	.1	1.3	.2
Shorts	.6	.1	.7	.1
Undershirts	1.3	.1	1.5	.2
Union suits	1.4	.2	1.3	.2
Socks	2.7	.3	2.6	.3
Women's—				
Dresses, street	2.0	.2	2.0	.2
House dresses	2.1	.2	2.6	.3
Nightgowns	1.0	.1	1.1	.1
Anklets	(3)	(3)	.8	.1
Percale yard goods	1.0	.1	1.2	.2
Silk and rayon clothing	18.1	2.2	17.6	2.1
Men's socks	1.0	.1	1.0	.1
Women's—				
Dresses	6.6	.8	6.7	.8
Panties	1.7	.2	1.7	.2
Slips	1.4	.2	1.5	.2
Hose	6.7	.8	6.0	.7
Yard goods	.7	.1	.7	.1

See footnotes at end of table, p. 75.

TABLE II.—*Relative importance of items priced for the cost-of-living index in large cities* [1]—Continued

CLOTHING—Continued

Item	Average in 1935–39		Mar. 15, 1943	
	Group index	Total cost-of-living index	Group index	Total cost-of-living index
	Percentage distribution of costs			
Footwear	17.6	1.9	17.3	2.0
Men's—				
Shoes:				
Low	4.4	.5	4.7	.6
Work	1.1	.1	1.2	.1
Rubbers	1.0	.1	.9	.1
Women's shoes	7.4	.8	6.8	.8
Children's shoes	3.7	.4	3.7	.4
Other garments	6.6	.6	6.1	.8
Men's—				
Hats:				
Fur-felt	1.3	.1	1.3	.2
Straw	.3	(3)	.3	(3)
Neckties	1.2	.1	.9	.1
Women's—				
Coats, fur	1.3	.1	1.2	.2
Gloves, leather	1.0	.1	.9	.1
Girdles	1.5	.2	1.5	.2
Services	5.7	.7	5.2	.6
Men's—				
Dry cleaning	2.1	.2	1.9	.2
Shoe repairs	1.6	.2	.9	.1
Women's—				
Dry cleaning	1.4	.2	1.2	.2
Shoe repairs	(3)	(3)	.9	.1
Boys'—Shoe repairs	.6	.1	.3	(3)

FUEL, ELECTRICITY, AND ICE

All fuel, electricity, and ice	100.0	6.7	100.0	6.0
Coal:				
Anthracite	13.8	.9	14.7	.9
Bituminous	13.7	.9	15.6	.9
Coke	5.7	.4	6.2	.4
Briquets	.1	(3)	.1	(3)
Fuel oil	4.5	.3	3.5	.2
Lignite	(3)	(3)	.4	(3)
Wood	1.1	.1	1.4	.1
Sawdust	(3)	(3)	.2	(3)
Electricity	25.0	1.7	22.3	1.3
Gas	23.8	1.6	22.2	1.3
Kerosene	.8	(3)	.9	.1
Ice	11.5	.8	12.5	.8

HOUSEFURNISHINGS

All housefurnishing items	100.0	4.4	100.0	3.1
Towels, cotton	1.4	.1	2.4	.1
Sheets	3.1	.1	5.4	.2
Curtains	3.8	.2	5.7	.2
Blankets	2.0	.1	3.2	.1
Rugs, wool	3.9	.2	6.4	.2
Carpet, wool	3.0	.1	5.0	.2
Felt-base floor covering	1.2	.1	1.3	(3)
Linoleum	1.1	(3)	1.3	(3)
Living-room suites	11.5	.5	20.4	.6
Dining-room suites	5.0	.2	8.2	.3
Bedroom suites	8.5	.4	13.9	.4

See footnotes at end of table, p. 75.

TABLE II.—*Relative importance of items priced for the cost-of-living index in large cities*[1]—Continued

HOUSEFURNISHINGS—Continued

Item	Average in 1935–39		Mar. 15, 1943	
	Group index	Total cost-of-living index	Group index	Total cost-of-living index
	Percentage distribution of costs			
Studio couches	1.8	0.1	0.9	(2)
Mattresses	2.8	.1	3.0	0.1
Bedsprings	1.6	.1	.7	(2)
Radios	10.2	.4	.6	(2)
Sewing machines	1.6	.1	1.8	.1
Light bulbs	1.1	(2)	1.0	(2)
Washing machines	6.3	.3	(2)	(2)
Vacuum cleaners	3.0	.1	3.7	.1
Refrigerators:				
Electric	15.8	.7	(2)	(2)
Gas	1.5	.1	.1	(2)
Ice	.2	(2)	.1	(2)
Stoves, cook	6.6	.3	10.3	.3
Dinnerware	1.4	.1	2.2	.1
Glassware	.5	(2)	.7	(2)
Brooms	1.1	(2)	1.7	.1

MISCELLANEOUS

Miscellaneous items	100.0	23.7	100.0	19.7
Transportation	34.7	8.1	22.9	4.5
Automobile	9.3	2.2	(2)	(2)
Gasoline	8.2	1.9	4.6	.9
Motor oil	.9	.2	.5	.1
Tires and tubes	.9	.2	(2)	(2)
Auto repairs	.8	.2	1.2	.2
Licenses and taxes	1.2	.3	1.8	.4
Auto insurance	1.0	.2	1.1	.2
Streetcar fares	11.0	2.6	11.8	2.3
Bus fares	.9	.2	1.4	.3
Railroad fares	.5	.1	.5	.1
Medical care	16.9	4.1	18.8	3.7
Physician:				
Office visit	2.5	.6	2.8	.5
House visit	2.4	.6	2.7	.2
Obstetrical care	.6	.1	.8	.5
Surgeon: Appendectomy	.5	.1	.6	.1
Specialist: Tonsillectomy	.5	.1	.5	.1
Dentist:				
Filling	1.2	.3	1.3	.3
Extraction	.4	.1	.5	.1
Cleaning	1.5	.4	1.8	.3
Hospital:				
Pay ward	.7	.2	.8	.2
Room	1.2	.3	1.4	.3
Nurse, private	.4	.1	.3	.1
Optometrist: Glasses	.9	.2	1.0	.2
Medicine and drugs:				
Prescriptions	1.2	.3	1.3	.3
Aspirin	.4	.1	.3	.1
Quinine	.1	(2)	.2	(2)
Cold remedy, ointment	.4	.1	.4	.1
Iodine	.2	.1	.2	(2)
Castor oil	.1	(2)	.2	(2)
Milk of magnesia	.4	.1	.3	.1
Laxative	.2	.1	.2	(2)
Accident and health insurance	1.1	.2	1.2	.2
Household operation	16.1	3.8	18.3	3.6
Laundry service	4.3	1.0	4.9	1.0
Telephone service	3.3	3.8	3.7	.7
Domestic service	.5	.1	1.0	.2
Postal service	.7	.2	.7	.1
Water rent	1.4	.3	1.5	.3

See footnotes at end of table, p. 75.

TABLE II.—*Relative importance of items priced for the cost-of-living index in large cities*[1]—Continued

MISCELLANEOUS—Continued

Item	Average in 1935–39		Mar. 15, 1943	
	Group index	Total cost-of-living index	Group index	Total cost-of-living index
	Percentage distribution of costs			
Household operation—Continued				
Laundry soap:				
Bar	1.2	0.3	01.4	0.3
Flake and chips	.8	.2	.9	.2
Granulated	1.1	.3	1.2	.2
Laundry starch	.4	.1	.4	.1
Cleaning powder	.8	.2	.8	.2
Matches	.5	.1	.6	.1
Toilet paper	1.1	.2	1.2	.2
Recreation	22.0	5.2	26.9	5.3
Newspapers	5.2	1.2	6.5	1.3
Motion pictures:				
Adult	5.9	1.4	7.5	1.5
Child	.9	.2	1.0	.2
Tobacco:				
Cigars	.9	.2	1.1	.2
Cigarettes	7.9	1.9	9.6	1.9
Pipe tobacco	1.2	.3	1.2	.2
Personal care	10.3	2.5	13.1	2.6
Barber service: Man's haircut	3.3	.8	4.5	.9
Beauty-shop service:				
Woman's haircut	.5	.1	.7	.1
Wave set	.8	.2	1.2	.2
Permanent wave	.8	.2	1.1	.2
Toilet articles:				
Toilet soap	1.5	.4	1.9	.4
Shaving cream	.4	.1	.4	.1
Tooth paste	1.3	.3	1.4	.3
Face powder	.4	.1	.4	.1
Cleansing cream	.5	.1	.6	.1
Sanitary napkins	.4	.1	.4	.1
Razor blades	.4	.1	.5	.1

[1] Excluding unallocated items.
[2] Not priced. Certain goods have been added and others deleted from the index since January 1942 because of wartime changes in buying.
[3] 0.05 percent or less.
[4] Not given separately.

Source: Monthly Labor Review, July 1943. Faith M. Williams, Bureau of Labor Statistics' Cost of Living Index in Wartime.

COMPUTING THE NATIONAL INDEX

After prices are collected, and the relative importance of each item is determined, the following general steps are taken in computing the index:

1. Average prices are computed for each grade of article or service for each city, and percentage changes in these prices from the previous period are calculated.

2. Percentage changes from the previous periods for the prices of each group of articles, for example, food or clothing, are computed for each city. Each item is given a weight equal to its importance in its group.

3. Percentage changes in prices from the previous period for all groups combined are computed for each city, with each group given a weight equal to its importance in the total.

4. The large city index is computed by applying this percentage change to the index for the previous period, resulting in an index based on the average for the years 1935–39 as 100.

5. Reports for the 56 foot cities are combined for the national food index. These are then combined with the reports for all other goods and services for

34 cities to make up the national percentage change for all cities. In this calculation the relative importance of the population represented by each city (with allowance for different levels of income and expenditures) is used as a basis for weighing to obtain a national average.

Each of these steps is illustrated below.

AVERAGING THE PRICES

After the prices have been collected they are sent to Washington for careful scrutiny and editing, and average prices are prepared for each of the grades of articles priced in each city. For food, the quotations obtained from chain stores are combined with quotations from independent stores in accordance with the importance of sales in these types of outlets based on the latest estimates from the Census Bureau and the comprehensive Food Margins Survey made by the Bureau of Labor Statistics for the Office of Price Administration in the autumn and winter of 1942-43.

For prices of other kinds of goods and services a simple average is obtained for each grade and quality priced in each city. For example, three types of men's hose are priced in all areas—cotton mercerized hose of plain color weighing around 2 ounces a pair; cotton hose of lower quality weighing about 2½ ounces a pair; and rayon hose with cotton reinforced heel and toe weighing about 1⅛ ounces per pair. The prices of each of these types are obtained in a minimum of four stores in each city. These price quotations provide the city average for each type of hose. Thus, in New York City in September the prices for the first type—cotton mercerized hose—ranged from 25 to 50 cents and averaged 43 cents per pair.

The price changes for the three types of hose in each city are combined to give a price change for all men's hose in accordance with the relative importance of each type in the budgets of wage-earner and clerical families. The money required to buy men's hose in the quantities used by such families in New York City was divided between the types in August of this year as follows: Out of each $10 outlay for hose (larger than would normally be spent), $1.50 would be spent on the first type, $6.38 on the second, and $2.12 on the third.

The average price of the first type in September was 1.2 percent above the average price in August. The second type showed an increase of 0.8 percent, and the rayon hose rose 5.9 percent. Thus the hose which cost $10 in August would cost a total of $10.19 in September, with an expenditure of $1.52 for the first type, $6.43 for the second, and $2.24 for the third. The increase over August for all men's hose thus amounted to $0.19 out of each $10 outlay, or 1.9 percent.

When price changes for different types of goods are combined into an index for a single group included in the cost-of-living index, the procedure is similar.

Thus in Detroit the average quantities of dairy products consumed by wage earner and clerical families required in May the division of each dollar spent for dairy products as follows: Butter, 26 cents; cheese, 8 cents; milk delivered, 45 cents; milk from the grocery, 15 cents; and evaporated milk, 6 cents. Between May and June the price of butter dropped 5½ cents because of the introduction of the subsidy, a decrease of 9.9 percent. The price of cheese decreased slightly, 0.3 percent from May to June; and prices for milk from the grocery decreased 0.7 percent; evaporated milk, 1.0 percent; while the price of delivered milk remained the same. The same quantities purchased for a dollar in May would have cost 97 cents in June—butter, 24 cents; cheese, 8 cents; delivered milk, 45 cents; milk from the grocery, 14 cents; and evaporated milk, 6 cents. Accordingly, the index of the prices of dairy products decreased nearly 3 percent from May to June.

COMBINATION OF COST-OF-LIVING INDEXES FOR THE CITIES INTO THE NATIONAL AVERAGE

To compute the national index for the large cities each city is given a relative importance based upon the population of the cities within the surrounding area. For the food-cost index this population distribution is computed for 56 cities, and for other group indexes for 34 cities. The relative importance of each city, as included in the index in March 1943, is shown in the attached table (table III).

Until March of this year these figures were based upon the 1930 census, but in March of 1943 the Bureau revised the weights for the several cities based upon the 1940 census and subsequent census estimates of population compiled from ration books issued.

THE COST-OF-LIVING INDEX

The national cost-of-living index, as well as the city indexes for the 34 large cities (but not for the other 39) are always shown on a 1935–39 base. That is, the

September 1943 index of 123.9 indicates that the retail prices of consumers' goods bought by American workers' families are 23.9 percent higher than they averaged in the years 1935–39.

The fact that an index for one city may be higher than another as compared with 1935–39 does not mean that the total spent for living is greater in one city than in the other, but rather that prices and rents have gone up more since 1935–39. Comparisons of the dollar cost of a family budget in various cities require a different type of statistical measure than an index of price changes, such as the cost-of-living index.

TABLE III.—*Population weights used for combing cost of goods other than food purchased by workers in 34 large cities into composite indexes for the large cities of the United States, as of March 1943*

Region	Percent	Region	Percent
North Atlantic:		North Central—Continued.	
Boston	8.8	Indianapolis	2.2
Portland	.2	Cincinnati	4.1
Manchester	.1	Detroit	6.1
Buffalo	3.9	Cleveland	3.6
New York City	13.4	St. Louis	2.5
Philadelphia	7.2	Kansas City, Mo	2.8
Scranton	.9	Minneapolis, Minn	1.7
Pittsburgh	4.2	South Central:	
South Atlantic:		Birmingham	2.0
Baltimore	1.8	Memphis	.9
Washington	1.9	Mobile	.3
Richmond	1.0	Houston	3.9
Norfolk	.7	New Orleans	1.1
Atlanta	1.3	Mountain and Pacific:	
Savannah	.6	Denver	1.2
Jacksonville	1.1	Seattle	1.3
North Central:		Portland, Oreg	.7
Chicago	8.1	San Francisco	3.1
Milwaukee	1.7	Los Angeles	5.6

Source: U. S. Department of Labor, Bureau of Labor Statistics.

EXHIBIT B

[From the Monthly Labor Review of the Bureau of Labor Statistics, United States Department of Labor, June 1940 issue]

UNITED STATES DEPARTMENT OF LABOR

Frances Perkins, *Secretary*

BUREAU OF LABOR STATISTICS

Isador Lubin, *Commissioner*

TRENDS OF MANUFACTURING EMPLOYMENT, 1929 TO 1937

(By A. F. Hinrichs and Harry Brenner, of the Bureau of Labor Statistics)

There was a striking similarity in the number of wage earners employed in manufacturing establishments in the United States in 1929 and 1937. An average of 8,329,548 wage earners were employed in 1929 and 8,567,738 in 1937. This was an increase of 238,190 jobs, or 2.9 percent.

Because the grand totals are so similar in these 2 years, it is possible to study underlying shifts in manufacturing activity directly from the absolute figures for employment in the various industries and States. Both years were peak periods of business activity. By and large, the total employment in individual industries or in individual States shows little change between the 2 years. There are, however, outstanding exceptions: industries or areas that show considerable increases or decreases.

The present article is an analysis of the more significant of these shifts. On an industrial basis, the most striking fact is the divergent trend of industries manufacturing construction materials and the remaining manufacturing in-

dustries considered in combination. Fifteen building-material industries show a net decrease of employment from 861,953 in 1929 to 665,153 in 1937, a loss of 196,800 jobs, or 22.8 percent (table 1). If an allowance is made for decreased employment in structural-steel departments of steel works and rolling mills, not included in these figures, the total decrease amounted to about 226,000 jobs. On the other hand, in industries other than these 15, employment increased from 7,467,595 to 7,902,585, an increase of 5.8 percent. With the allowance for the influence of structural steel on these totals, the increase would be about 6.2 percent. This closely approximates the population increase from 1929 to 1937.

On a regional basis, the shifts were pronounced. Increases in total manufacturing employment were largely concentrated in Michigan and the adjoining States of Indiana and Illinois, in the States of the South Atlantic, South Central, and Southwestern regions, and on the Pacific coast. In general, the States in the northeastern section of the country had not returned to their 1929 levels of manufacturing employment by 1937.

TABLE 1.—*Number of Wage Earners Employed in Industries Manufacturing Building Materials, 1929 and 1937*

Industry	Number of wage earners		Percent of change
	1929	1937	
Lumber	419,084	323,928	−22.7
Clay products other than pottery [1]	93,657	65,226	−30.4
Planing-mill products	90,134	66,814	−25.9
Structural and ornamental metal work	54,947	38,814	−29.4
Marble, granite, etc	37,817	20,816	−45.0
Sheet-metal work	28,593	22,973	−19.7
Cement	33,368	26,426	−20.8
Plumbers' supplies	27,960	25,240	−9.7
Lighting equipment	23,580	21,743	−7.8
Concrete products	16,505	12,840	−22.2
Doors, shutters, etc., metal	9,557	8,408	−12.0
Lime	8,554	9,751	+14.0
Wall board, etc.[2]	7,462	11,590	+55.3
Roofing	6,027	7,418	+23.1
Window shades	4,708	3,166	−32.8
Total	861,953	665,153	−22.8

[1] Because of changes in classification, the clay-products industry was combined with the crucibles industry in 1929, and with the nonclay-refractories industry in 1937 in order to obtain comparable data.

[2] Because of changes in classification, the wall-board industry was combined with the gypsum-product industry in 1937 in order to obtain comparable data

CHANGES OF CENSUS CLASSIFICATION

Before census totals can be compared, the figures for 1929 must be adjusted to be made comparable with those for 1937. The unadjusted census total for 1929, 8,838,743 wage earners, is 270,000 higher than the figure for 1937. There were, however, 7 industries included in the Census of Manufactures for 1929 which were not treated as manufacturing industries in 1937.[1] Furthermore, though no allowance can be made for differences in the completeness of coverage, it is probable that the 1937 census somewhat understates the number of wage earners in that year.[2]

[1] The number of wage earners employed in these industries was, therefore, deducted from the 1929 total. The 7 industries, and their average number of wage earners for 1929 are: coffee and spice, roasting and grinding, 9,053; flax and hemp, dressed, 47; gas, manufactured, illuminating, and heating, 43,065; motion pictures, not including projection in theaters, 10,784; peanuts, walnuts, and other nuts, processed or shelled, 7,933; railroad repair shops, electric, 29,475; and railroad repair shops, steam, 368,681. In addition, the classification of wage earners in the turpentine and resin industry was so radically changed in 1937 that it was necessary to deduct the employment in this industry from the totals in both 1929 and 1937.

[2] The survey of activities of manufacturing establishments for 1929 was conducted in conjunction with the regular decennial census of population. A large staff of field employees was therefore available to make a door-to-door canvass of every establishment, thus insuring practically complete coverage. For the 1937 census, however, the field force was substantially smaller, and it was necessary to depend largely upon the returns of mailed questionnaires.

In most instances, this did not result in any significant loss of coverage. There are, however, certain industries—notably in the garment-manufacturing group—in which there is always a large turn-over of establishments, as well as frequent shifting of plant location. In such cases, the reliance upon the mailed questionnaire resulted in a substantial understatement of activities of the industry. To the extent that this was true of the 1937 Census of Manufactures, employment in 1937 was underestimated. While the net effect that this has upon the United States total is relatively minor, it is well to keep the point in mind when considering later discussions of changes in employment by State and industry.

In general, it is to be expected that loss of coverage for the reason just given will take place largely in the smallest establishments. Some idea of the effect of this loss may, therefore, be obtained from a consideration of the number of such establishments, and their relative importance as employers of labor. It will be found that while almost half of all the manufacturing establishments in 1929 employed no more than 5 workers, these plants accounted for only 3.3 percent of the total number of manufacturing wage earners. In 1937, only 41.0 percent of the establishments were of this size, and employed 2.0 percent of the wage earners. It may be assumed that part of this decline can be explained by the tendency toward elimination of the smallest sized manufacturing establishments. It thus seems safe to say that, even with a fairly large understatement of establishments, the 1937 census probably was less than 1 percent off in its wage-earner total.

[3] The actual decrease is somewhat less than 13,500 workers. In 1935, the Census of Manufactures made some changes in the classification of the silk and rayon industry, as a result of which some plants formerly classified in that industry were assigned to other industries. The number of workers in such plants cannot be determined exactly.

INDUSTRY TRENDS

Comparing employment in manufacturing industries in 1929 and 1937 on an industry by industry basis, one finds a limited number of industries outside of the building-material field, in which employment declined substantially. The list of those in which employment declined by as much as 5,000 people is given in the succeeding paragraphs.

Three industries show net losses in employment attributable largely to technological shifts—cigars, tires and tubes, and silk and rayon. Cigars dropped 28,000 people. This reflects an absolute decline in the number of cigars smoked and a rapid introduction of machine processes for hand processes. There is no reason to expect that there will ever again be as many people employed in the manufacture of cigars as were employed in 1929. The trend may very well continue down. Silk and rayon employed 13,500 fewer workers in 1937 than in 1929.[3] The silk industry has been declining and will probably continue to decline. Rayon can be handled with fewer workers than equal quantities of silk. Tires and tubes dropped 20,000 people, reflecting fundamental and almost revolutionary changes in both the process of producing tires and in the life of the tires produced.

There are three industries in which substitution has accounted for very substantial losses of employment. The first of these is manufactured ice from which industry 13,500 people were dropped between 1929 and 1937. Somewhere near this number of people appear to have been added in the manufacture of electric refrigerators. There were 13,500 people dropped in confectionery and ice cream. It was supposed that a fairly substantial part of the growth in the demand for confectionery and ice cream during the decade of the 1920's was attributable to prohibition. It is equally reasonable to suppose that the decline reflects, in part, the repeal of prohibition in 1933. In the manufacture of wooden boxes, 4,500 people were dropped. In this connection, it should be noted that the growth of the paper-box industry has absorbed nearly 10,000 workers.

It is not possible to account as definitely for declines of 19,000 wage earners in the furniture and wood-turning industries, of 7,300 in the production of rubber boots and shoes, and 7,100 in men's and women's hats and millinery, and of 6,800 in silverware, plated ware, and jewelry. There has been an absolute decline in the production of rubber boots and shoes. This may very well be connected with changes in our habits of living as induced by the automobile. The change in furniture and wood turning may be related to the lack of development of new homes as well as to some shift in consumer preferences. As regards hats and millinery, there may have been some change in style and consumer preferences, for there has been a continued growth in the employment of people engaged in the production of clothing generally. It is quite possible that this is one of the industries in which the use of a questionnaire in 1937, resulted in some underreporting.

The above 10 industries or groups of industries employed about 788,000 wage earners in 1929 and about 654,000 in 1937—a decrease of about 134,000 wage-earner jobs. The loss of these jobs is attributed, in part, to technological changes, in part to changes in consumer tastes. In order to make the list complete, one should perhaps add cotton textiles, employing an average of 435,400 in 1937 and 441,100 in 1929. The decline, much smaller relatively than in the other industries

listed, is large in absolute terms and accounts for more than 5,000 workers. Here then are possibly 139,000 jobs that disappeared on the basis of net changes of employment between 1929 and 1937.

The changes in classification within the census group, designated as "machinery, not including transportation equipment," are too large to allow one to trace changes in employment in the separate industries. The group as a whole shows little change.[4] There was probably a significantly large decrease in the number employed on radios that might be included in the list just completed.[5]

We are frequently told that what is needed in the United States is a new industry. Did any new industries develop between 1929 and 1937? The census gives evidence of only two industries in 1937 that employed as many as 10,000 workers which were essentially nonexistent in 1929. In the manufacture of alcoholic beverages of one sort or another, 62,000 additional people were employed. Virtually none had been legally so employed in 1929. Nearly 17,000 people were employed in the manufacture of synthetic resins and plastics. Only 3,500 workers were classified in this industry by the census in 1929.[6] Essentially, therefore, we may say that there was a growth of 76,000 jobs in the new industries.

Five industries, however, experienced an increase of employment of more than 40 percent between 1929 and 1937. While none of them may be regarded as a new industry, they are certainly indicating rates of growth sufficiently large to meet the desire that is expressed when we say that we need new industries in the United States. These industries were canning, which added 43,000 workers; stamped and pressed metalware, 21,000; rayon production, 16,000; aircraft, 9,000; and asbestos products, used largely for insulation, 5,000—a total growth in the five industries of 94,000 workers.

This is a growth within what may be described as new industries of 170,000 workers—substantially more than the decrease in all of the industries that were showing a fundamental tendency to shrink.

This does not complete the list of industries with growing employment. There were at least 11 that experienced a rate of increase of employment between 1929 and 1937 two to four times as great as the increase in population. These industries and their respective increases were blast furnaces, steel works and rolling mills, 83,000; baking, 38,000; men's clothing, 26,000; shirts and collars, 10,000; women's clothing, 55,000; converted paper products 26,000;

[4] Total wage-earner employment in the group as classified in 1929 was 1,091,269 and as classified in 1937 was 955,975. To achieve approximate comparability it is necessary to add to the figures for 1929, 14,416 wage earners making phonographs, carried in miscellaneous manufacturing in 1929; 9,784 wage earners on nonmechanical refrigerators and refrigerator cabinets, carried in the lumber group in 1929; and 1,784 wage earners on printer's and engraver's materials and in type foundries, carried in the printing and publishing group in 1929. It is also necessary to exclude from the 1929 total, 5,038 wage earners who were employed in plants classified in the gas machines and meters industry in 1929 and in the instruments and apparatus, professional and scientific industry in 1935 and, therefore, carried in the miscellaneous manufacturing group in 1937. This gives an adjusted total of 1,112,215 for 1929.

The corresponding total for 1937 is 1,100,484. This includes, in addition to the group total of 955,975 classified under machinery by the census in that year, 120,024 wage earners making foundry products and 24,485 wage earners in boiler shops who were carried in the iron and steel group by the census in 1937, but had been carried in the machinery group in 1929.

Two minor differences in classification in 1929 and 1937 are noted merely for the sake of completeness. In 1929 numbering machines were carried in hand stamps and stencils and brands. In 1937 they were carried as an unidentifiable but small part of cash registers, etc. On the other hand, taxicab meters were part of cash registers, etc., in 1929, and in 1937 were an unidentifiable part of instruments and apparatus in the miscellaneous group of industries.

[5] In 1929 the census showed 328,722 wage earners in electrical machinery and radios, and 14,416 in phonographs. In 1937 it showed 257,660 in electrical machinery and 48,343 in radios and phonographs. The totals for the three industries in combination have declined by 37,135. A decrease in radio employment may be safely inferred from changes in the value of radios and tubes produced. Though the classifications may have changed, the value of the products appear to have decreased by more than one-fifth. Whether or not there has also been a decrease in employment in electrical machinery, we cannot say. It should be noted that the manufacture of refrigerators (largely mechanical) employed 50,623 wage earners in 1937. In 1929 there were 16,883 in establishments primarily engaged in producing mechanical refrigerators, 9,784 in establishments producing nonmechanical refrigerators and refrigerator cabinets, and we estimate there were 5,731 engaged in manufacturing, refrigerating and ice-making machinery. These three groups, without any break-down, are combined in the 1937 total of 50,623. There was a large decrease in the production of commercial refrigerating and ice-making machinery between 1929 and 1937.

[6] Because of a change in classification of the indutsry in 1931, the figure of 3,500 workers in 1929 is not exactly comparable to the figure of 17,000 in 1937. If the data could be made comparable, the increase in employment in the industry would be somewhat smaller than 13,500.

chemicals, 17,000; glass, 11,500; rubber goods other than tires and boots and shoes, 8,000; leather products, other than boots and shoes, 7,000; cigarettes, 5,000—a growth of 286,000 in the number of wage earners employed in 11 industries.

An adjustment should be made in the steel figure. The net growth of 83,000 conceals decreases in some branches of steel production. There are no figures on the subject, but a loss of employment for 30,000 wage earners may be estimated because of decreased production of structural shapes, concrete reinforcing bars, and nails. The net growth for the balance of the industry was then not 83,000 but 113,000 wage earners. This would raise the total for these 11 industries (excluding steel for construction) from 286,000 to 316,000.

Finally, in terms of the industries which show growth of employment at a rate substantially higher than the rate of population growth, one should note knit goods with 22,500 and shipbuilding with 7,000.

All in all, therefore, in industries employing more than 10,000 workers in 1937 and growing substantially more rapidly than population, there was an increase of about 516,000 jobs in manufacturing—76,000 in 2 new industries; 94,000 in 5 industries with increased employment of over 40 percent; 316,000 in 11 industries, basically old, but still showing a net growth of employment 2 to 4 times as great as population; and about 30,000 in knit goods and shipbuilding. Against this "new industry" gain of 516,000 is to be offset the loss of 139,000 jobs in industries with substantial decreases of employment opportunity.

The net gain is 377,000 jobs in relatively large industries showing pronounced trends of employment.

The striking changes in manufacturing employment are thus confined to a relatively small list of industries. Decreases occurred in the total for 15 industries manufacturing building materials: 862,000 in 1929 to 665,000 in 1937. In the 11 industries with large decreases noted there were 1,229,000 in 1929 and 1,090,000 in 1937.[7] The 20 industries for which increases were noted employed 1,862,000 in 1929 and 2,347,000 in 1937.[8]

The remaining manufacturing industries showed smaller absolute changes than those that have been discussed. Some, of course, showed small decreases. Others increased. In general, outside of the building-materials industries and of the industries just listed as changing considerably, there were small gains. In the aggregate, they employed 4,378,000 in 1929 and 4,466,000 in 1937, a net gain of about 88,000 wage earners.

This means that in all manufacturing industries outside of the building-materials field, there was a net increase in employment of about 465,000 wage earners,[9] a gain of 6.2 percent. This large segment of employment—all of manufacturing outside of building materials—expanded almost exactly in proportion to population.

STATE TRENDS OF EMPLOYMENT

When the same adjustments were made in each State as were made in the national figures, it was found that manufacturing employment was greater in 1937 than in 1929 in 23 States and the District of Columbia, while declines were found in 25 States (table 2). The increases ranged from 1.1 percent in New Jersey to 27.4 percent in Michigan. Pennsylvania showed a drop of less than 0.1 percent, while the greatest decline (19.9 percent) was experienced in Arizona.

In general, the States in the northeastern section of the country had not returned to their 1929 levels of manufacturing employment by 1937. This condition was true in four of the six New England States, in two of the three Middle Atlantic States, and in Ohio and Delaware. On the other hand, consistent gains were registered in the South. With the single exception of Mississippi every Southern State east of the Mississippi River showed an increase. Most of these gains were quite large; in only two cases were they less than 10 percent.

[7] Not including radios, nonmechanical refrigerators, or ice-making machinery discussed above (p. 1311, footnote 5).

[8] These figures include structural steel in blast furnaces, steel works, and rolling mills. They do not include mechanical refrigerators discussed above (p. 1311, footnote 5), wall board and gypsum which in combination increased from 7,462 to 11,590 (see table 1), nor agricultural implements and tractors for which a 1929 to 1937 comparison is not possible.

[9] This figure represents the difference of 435,000 that is the net sum of changes in industries (including all of the iron and steel industry) other than building materials, plus an allowance of 30,000 decline in structural steel made in plants classified in steel works and rolling mills that should be attributed to a decline in building materials.

Two other regions show important increases. Michigan, as has been noted, had an increase of 27.4 percent. Small increases occurred in Illinois and Indiana. This gain reflects increased employment in the automobile and steel industries. The Pacific coast likewise experienced increased employment, notably in California and Oregon. Finally, as part of the growth of southern industry, one should note the increase of employment in the Southwestern States of New Mexico, Oklahoma, and Texas.

In general, with the exceptions just noted, employment declined in the States west of the Mississippi River. The Great Plains and Mountain States have a relatively small number of manufacturing wage earners and the declines involve relatively few workers. Increases occurred, however, only in Nevada and North Dakota, the only two States in the Union with less than 3,000 manufacturing wage earners in 1937. The decreases in the States bordering the Mississippi are significant.

TABLE 2.—*Number of wage earners employed in manufacturing industries, by State and geographical division, 1929 and 1937*

State and geographic division	Number of wage earners in all manufacturing industries [1]		Percent of change	Number of wage earners, excluding those in industries manufacturing building materials [1]		Percen of change
	1929	1937		1929	1937	
New England	1,081,122	1,022,350	−5.4	1,044,511	996,821	−4.6
Maine	68,820	75,464	+9.7	62,933	70,091	+11.4
New Hampshire	64,722	56,517	−12.7	61,017	54,348	−10.9
Vermont	26,503	23,682	−10.6	18,026	17,886	−.8
Massachusetts	547,309	496,036	−9.4	536,088	488,875	−8.8
Rhode Island	124,853	108,031	−13.5	123,482	107,175	−13.2
Connecticut	248,715	262,620	+5.6	242,965	258,446	+6.4
Middle Atlantic	2,448,741	2,386,743	−2.5	2,323,432	2,300,470	−1.0
New York	1,062,012	936,658	−6.2	[2] 1,029,910	[2] 968,822	[2] −5.1
New Jersey	432,078	436,745	+1.1	[3] 420,854	[3] 427,971	[3] +1.7
Pennsylvania	954,651	954,340	(4)	[5] 893,936	[5] 910,110	[5] +1.8
East North Central	2,435,350	2,571,131	+5.6	2,267,457	2,450,677	+8.1
Ohio	712,616	694,205	−2.6	[6] 665,416	[6] 661,398	[6] −.6
Indiana	297,333	313,342	+5.4	273,586	295,336	+7.9
Illinois	653,087	668,841	+2.4	[7] 623,821	[7] 643,423	[7] +3.9
Michigan	518,520	660,676	+27.4	[8] 490,498	[8] 639,283	[8] +30.3
Wisconsin	253,794	234,067	−7.8	[9] 225,454	[9] 214,276	[9] −5.0
West North Central	418,316	406,176	−2.9	373,549	370,056	−.7
Minnesota	90,468	89,925	−.6	78,221	80,280	+2.6
Iowa	70,647	67,878	−3.9	61,661	59,797	−3.0
Missouri	187,264	186,831	−.2	170,442	173,669	+1.9
North Dakota	2,631	2,854	+8.5	[10] 2,617	[10] 2,839	[10] +8.5
South Dakota	5,680	4,970	−12.5	4,455	4,079	−8.4
Nebraska	23,176	19,590	−15.5	[11] 21,766	[11] 18,381	[11] −15.6
Kansas	38,450	34,128	−11.2	33,822	31,361	−7.3
South Atlantic	820,755	990,613	+20.7	700,039	889,829	+27.1
Delaware	21,476	21,052	−2.0	[12] 21,080	[12] 20,813	[12] −1.3
Maryland	122,327	145,932	+19.3	115,111	140,365	+21.9
District of Columbia	8,202	8,714	+6.2	[13] 7,501	[13] 8,221	[13] +9.6
Virginia	106,193	132,643	+24.9	90,936	115,567	+27.1
West Virginia	75,153	83,464	+11.1	[14] 62,536	[14] 74,129	[14] +18.5
North Carolina	204,681	[15] 258,771	+26.4	[16] 181,322	[15] [16] 238,847	[16] +31.7
South Carolina	105,287	129,701	+23.2	[17] 87,222	[17] 116,479	[17] +33.5
Georgia	130,286	158,686	+21.8	106,809	141,864	+32.8
Florida	47,150	51,650	+9.5	[6] 28,105	[6] 34,490	[6] +22.7
East South Central	340,353	370,131	+8.7			+24.6
Kentucky	64,708	68,998	+6.6	51,499	57,115	+10.9
Tennessee	118,234	135,073	+14.2	97,866	119,456	+22.1
Alabama	109,116	120,093	+10.1	75,690	96,409	+27.4
Mississippi	48,295	45,967	−4.8	[18] 15,212	[18] 26,865	[18] +76.6
West South Central	266,593	272,389	+2.2			+14.6
Arkansas	39,860	37,280	−6.5	15,878	17,739	+11.7
Louisiana	81,222	[18] 76,057	−6.4	47,537	[15] 51,513	+8.4
Oklahoma	29,067	29,551	+1.7	23,281	25,054	+7.6
Texas	116,444	[15] 129,501	+11.2	[19] 90,245	[15] [19] 108,444	[19] +20.2
Mountain	84,299	78,774	−6.6			−.9
Montana	11,357	11,268	−.8	7,306	7,966	+9.0
Idaho	14,590	12,797	−12.3	3,215	4,562	+41.9
Wyoming	4,035	3,795	−5.9	[20] 3,152	[20] 3,021	[20] −4.2
Colorado	28,003	25,932	−7.4	24,529	23,038	−5.9
Arizona	8,977	7,193	−19.9	6,361	5,244	−17.6
New Mexico	2,917	3,683	+26.3	1,090	1,436	+31.7
Utah	13,463	13,094	−2.7	12,280	12,066	−1.7
Nevada	957	1,012	+5.7	681	774	+13.7

See footnotes at end of table, p. 83.

TABLE 2.—*Number of wage earners employed in manufacturing industries, by State and geographical division, 1929 and 1937*—Continued

State and geographic division	Number of wage earners in all manufacturing industries [1]		Percent of change	Number of wage earners, excluding those in industries manufacturing building materials [1]		Percent of change
	1929	1937		1929	1937	
Pacific	434,019	469,431	+8.2			+17.9
Washington	108,732	101,260	−6.9	42,878	46,310	+8.0
Oregon	62,230	65,982	+6.0	24,855	27,321	+9.9
California	263,057	302,189	+14.9	[2] 221,614	[2] 265,156	[2] +19.6
United States	8,329,548	8,567,738	+2.9	7,467,595	7,902,585	+5.8

[1] Adjusted for comparability; see p. 1309.
[2] Does not exclude clay industry.
[3] Does not exclude cement, clay, lime, and lumber industries.
[4] Less than 1/10 of 1 percent.
[5] Does not exclude doors, etc., metal, and wallboard industries.
[6] Does not exclude cement industry.
[7] Does not exclude cement, clay, and lime industries.
[8] Does not exclude doors, etc., metal and roofing industries.
[9] Does not exclude cement, doors, etc., metal, roofing, and wallboard industries.
[10] Does not exclude clay, marble, planning-mill, and sheet-metal-work industries.
[11] Does not exclude cement, lighting equipment, wallboard, and window-shade industries.
[12] Does not exclude plumbers' supplies industry.
[13] Does not exclude clay, doors, etc., metal, wallboard, and window-shade industries.
[14] Does not exclude roofing and wallboard industries.
[15] To avoid disclosure, 13 wage earners in 4 plants in the turpentine and rosin industry were not deducted in the adjustment for comparability; 2 of the plants are in Louisiana, 1 in North Carolina, and 1 in Texas.
[16] Does not exclude lime and window-shade industries.
[17] Does not exclude lime, structural and ornamental metalwork, and window-shade industries.
[18] Does not exclude sheet-metal-work, structural and ornamental metalwork, and wallboard industries.
[19] Does not exclude lighting equipment and plumbers' supplies industries.
[20] Does not exclude cement and wallboard industries.

The gross changes in employment by States do not tell the full story. More exactly, a decrease does not always have the same significance. In some instance—as for example, Arkansas, Louisiana, and Mississippi—the decrease reflects a decline in some basic industry that is more than adequate to offset general tendencies to growth. In these three States the lumber industry in 1937 was still suffering from the depression of the construction industry, and losses of employment in this industry hide gains in a number of others. In other instances—as for example, in New England—the decrease of employment was concentrated in industries which, on a national basis, held their own. Thus, cotton textiles grew in the South, while declining in New England. Finally, in a few cases the declines reflect among other things the importance of an industry with a generally declining trend of employment—as for example, cigarmaking in Pennsylvania. Thus, it is necessary to relate the two trends—shift in industry and in location—into an integrated picture.

As has been noted, one of the major results of the depression which began in 1929 was the large drop in building construction. It is in this field that the continued lack of recovery has been most notable in its effect on manufacturing employment. In 1929, the building-materials industries employed 10.3 percent of all manufacturing wage earners in the country. However, their relative importance in the different States varied considerably. Thus, in Idaho they accounted for 78.0 percent of manufacturing employment, while Rhode Island had only 1.1 percent of its workers engaged in making building materials. These are not isolated extreme examples: In 7 States besides Idaho, these industries employed over 40 percent of the workers; Rhode Island was 1 of 6 States which had less than 5 percent of their workers in this field.

By and large the factors making for the decline in employment in the building-materials industries apply equally to every section of the country. On the other hand, as has just been shown, the extent to which workers depended for jobs on the activities of these industries varied considerably from State to State. For this reason, the State changes in all manufacturing employment from 1929 to 1937 are not truly comparable. The percentage changes are distorted unequally in accordance with the varying relative importance of a group of industries having in each State the same tendency to decline.

This consideration is made clear when one examines the last three columns of table 2, covering employment in manufacturing industries, exclusive of building materials. The number of States showing increases in employment from 1929 to 1937 rises from 23 to 32. In addition, Ohio and Vermont, which experienced fairly large decreases considering all industries, now show declines of less than 1 percent. In fact, all but 1 of the 16 States still exhibiting a drop in employment have percentage declines smaller than those shown before the adjustment. Similarly, in every case but one (which remains at the same figure) the percentage increases are greater.[10]

On a regional basis, the following main observations are noted: (1) Washington, where the lumber industry had declined severely, joins the other States of the Pacific coast in showing an increase; (2) every State in the South Central regions shows an increase, whereas without the adjustment Mississippi, Arkansas, and Louisiana had shown decreases; (3) in the West North Central and Mountain regions the percent of decrease becomes less than 1 percent.

In the following presentation of industry changes for each State, it was found necessary in many cases to give the figures as approximations. This occurs for two reasons: (1) In many cases, the census combines industry data for several States in order to avoid an exact or approximate disclosure of the activities of an individual company, and (2) industry classifications have changed so that 1929 and 1937 figures are not always exactly comparable. Part of the difficulty caused by the second reason has been obviated by combining data for two or more industries when the change in classification involved a simple transfer of plants making some individual product from one industry to another.

Northeastern region

It has been stated that the northeastern section of the country had not, in 1937, returned to its 1929 level of manufacturing employment. In fact, the net decrease during this period in the number of mnaufacturing wage earners employed in the Middle Atlantic and New England States amounted to 120,720 people. If the losses in the contiguous States of Ohio and Delaware are added to this figure, the net decrease is then no less than 139,555 jobs. This may be compared with a combined loss of only 55,981 jobs in all the remaining 17 States which suffered a drop in employment.

The major declines in this region occurred in New York, which was providing 66,354 fewer jobs in 1937 than in 1929, and in Massachusetts, where the corresponding figure was 51,473 jobs. In addition, Rhode Island, New Hampshire, and Ohio were also included among the 7 States which fell off by at least 5,000 positions.

On the other hand, there was a fairly large degree of growth in Connecticut, which in 1937 provided 13,907 more jobs than it had in 1929. Maine and New Jersey, the other 2 States which showed an increase in this region, together added only 11,321 workers.

In considering the specific industries which acccounted for employment changes in this area, it is found that the major variations occur in the group of industries manufacturing textiles and their products. The outstanding change is the marked decrease in the manufacture of cotton goods. This industry is unimportant in Vermont and the Census of Manufactures gives no separate data for that State. All the other States in the region, with the single exception of Maine, had fewer

[10] In the last three columns of table 2, the figures for all the States are not exactly comparable. As is evident from the table, the employment data were obtained by deducting from the total employment in the State the number of wage earners in the 15 building-materials industries listed in table 1. However, many of these industry figures were not shown for all States in the published reports of the Census of Manufactures in order to avoid disclosure of data for individual firms. Through the cooperation of the Bureau of the Census, these missing data were obtained by the Bureau of Labor Statistics to be included only in totals for the 15 industries which were then deducted from the State employment total. The possibility of exact or approximate disclosure arose again, however, for those cases in which either one or two industries were all that were not shown by the census. In such cases, it was necessary to omit some of the 15 industries in making the deductions. This procedure was followed for 18 States and the District of Columbia. In no case did the necessity for this procedure affect the significant results for any State. Altogether, the number of wage earners in building-materials industries not deducted amounted to 30,166 in 1929 and 20,525 in 1937. In 10 States and the District of Columbia, the number involved was less than 400 for each year.

Where more than one State in a geographic division has been treated in this manner, the employment totals and the percent of change for the geographic division are not based on the sum of the State figures shown, but represent the actual totals and percent of change when all building-materials industries are deducted from each State. When only one State in a geographic division has been handled this way, no regional totals are shown, but the percent of change, which is given, is based on the complete adjustment in each State in the region. Similarly the totals and percent of change for the United States are based on the complete adjustment in every State.

workers in the industry in 1937 than in 1929. In 4 States—New Hampshire, Massachusetts, Rhode Island, and Pennsylvania—the decrease amounted to at least 40 percent. All in all, cotton-goods plants lost about 53,000 wage earners in this area. Although this decrease is of considerable size, the industry as a whole showed very little change, since the South Atlantic States, plus Alabama, experienced a growth in cotton-manufacturing employment just about equal to the decline in the Northeast.

This region also suffered large declines in the production of silk and rayon goods. In this case, the most significant changes occurred in the Middle Atlantic States which lost in the neighborhood of 35,000 workers in this industry. In addition, Connecticut lost about 4,500 workers. A gain of about 6,000 in Massachusetts and Rhode Island hardly made up for the declines. These latter increases by the way, were not in long-established silk mills but represented primarily the conversion of cotton mills to the manufacture of rayon. They are thus partial off-sets to the large decreases in cotton goods noted in the last paragraph.

Although the Southern States experienced a gain of employment in silk and rayon manufacturing, this growth did not, as in the case of cotton goods, prevent a net decline in the industry as a whole. It is estimated that the increase in the South Atlantic States amounted to about 18,000 workers.

Besides these changes in cotton, silk, and rayon goods, there were significant movements in the manufacture of finished garments. The Middle Atlantic States, Massachusetts, and Connecticut are important centers of the garment industries. An increase of employment in establishments manufacturing women's clothing occurred in all 5 of the States and resulted in a net gain of about 42,000 jobs.

While there was a combined growth in these States in the manufacture of men's clothing [11] also, amounting to about 15,000 positions, there was one notable example of a decrease in employment—a drop of over 8,000 jobs in New York. This undoubtedly reflects an internal shift within the region, with business moving from the New York City area to the outlying States of Connecticut, New Jersey, and Pennsylvania.

Against the background of these major shifts may be presented the picture for each State in this region.

Considering first Massachusetts, the major industrial State in New England, it will be recalled that there occurred here a net decrease of 51,473 jobs. Supplementing the story of the decline of the textile industry there is found here a drop of over 7,000 employees in the dyeing and finishing, woolen and felt goods, and wool carpet and rug industries. It should be noted, however, that the increase of 2,512 jobs in the plants manufacturing worsted goods is almost exactly equivalent to the loss in woolen and felt goods. In addition, it is especially important to note the decrease of about 13,500 jobs in the manufacture of boots and shoes, including rubber footwear. There then remain several industries displaying smaller losses, of which a drop of 3,814 positions in foundries and machine shops is the largest numerically. On the positive side is found a growth in bakeries and in shipbuilding, which is general in the region.

The situation in Rhode Island is practically presented in its entirety if, to the story of the textile industries, an account is made of the employment of 3,058 fewer jewelry workers in 1937 than in 1929. The jewelry industry of Rhode Island is primarily concerned with the manufacture of cheap jewelry.

New Hampshire and Maine both show small decreases in paper and pulp, small increases in the manufacture of miscellaneous wooden articles, and, finally, a fairly evenly divided, combined increase of 6,807 men in boot and shoe factories. However, New Hampshire showed a net decrease of over 8,000 jobs, with the largest declines being 6,607 workers in cotton plants and 3,463 in plants making worsted goods. These losses represented mainly the closing down in 1935 of the Amoskeag mills in Manchester. Maine, on the other hand, showed a slight upward trend in both of these industries to help put it on the positive side of the ledger.

In Vermont, where the textile industries are not significant, the change in the State can be almost entirely accounted for by decreases in two of the building-materials industries—marble and lumber—and a decrease of over 900 jobs in the machine-tool industry. Offsetting these losses was a gain of over 2,000 workers in plants manufacturing woolen goods.

[11] There were such extensive changes in classification from 1929 to 1937 in the group of industries manufacturing men's clothing that it was necessary to combine several industries in order to obtain comparable data on a State basis. The State figures presented for men's clothing here and in other sections of this report therefore include plants manufacturing shirts, collars, work clothing, and men's furnishing goods, in addition to those making suits, overcoats, etc.

Connecticut, on the other hand, represents a situation of general change. There was a rather small growth in a large number of industries overbalancing a similar group of losses in other industries.

In New York State, the picture regarding the textile industries must be supplemented by the fact that millinery establishments reported over 6,000 fewer workers in 1937 than in 1929. However, the manufacture of women's hats in New York City furnishes an outstanding example of the situation referred to previously on comparability of coverage in the 1929 and 1937 Census of Manufacturers. This is an industry consisting mainly of a large number of small establishments which spring into existence overnight and have a short average life span. It is thus probable that the reported drop of 6,000 workers in this State is a considerable overstatement of what actually took place in the industry.

Outside the textile field, the main examples of lack of recovery to 1929 levels of employment in New York State are furnished by the establishments classified in the foundry and machine-shop, electrical-machinery, and radio industries. Together, this group of machinery industries lost over 20,000 workers in the State. The industries making building materials, as a group, dropped 15,695 workers, and plants making automobiles and automobile bodies and parts lost 10,547 employees. Cigar factories and knit-goods plants each lost about 5,500 workers. Book and job printing fell off considerably, and shipbuilding, which was growing in New England, dropped 2,200 men. Boot and shoe manufacturing decreased by about 3,300 workers. There were a great many other industries with small decreases.

In addition to the gain in the women's clothing industry, the main increases in New York State were shown by bakeries and steel works and rolling mills.

The most serious decline in employment in New Jersey is that which occurred in rayon and silk manufacturers. Employment decreased by about 11,400, more than half the total of 1929. This brought with it a corresponding drop in textile dyeing and finishing, amounting to about 9,500 men. There appears to have been a decrease of more than 2,500 within the electrical, radio, and phonograph industries. There was also a decrease of 2,500 in foundries and machine shops. However, in general, New Jersey seemed to experience a growth in a large number of miscellaneous industries which more than balanced the industries which declined. The growth in all branches of clothing manufacture, and particularly in women's clothing, was especially striking.

Pennsylvania in 1937 was back to just about its 1929 level of manufacturing employment. Steel workers and rolling mills were using over 20,000 more workers in 1937 than in 1929. Bakeries rose by over 4,000 workers, following the general trend shown for the industry, while boots and shoes contributed the other major increase. Offsetting these gains were the displacement of over 7,500 cigar workers due mainly to the substitution of machine-made for hand-made cigars; a drop of about the same size in foundries and machine shops; and a falling off of nearly 4,000 employees in establishments engaged in dyeing and finishing textiles. Knit goods, one of the largest industries in the State, barely held its own, actually showing a slight decrease of less than 1 percent, whereas for the country as a whole employment in the industry grew by 10.8 percent. Silk and rayon declined by about 20,300 and cotton textiles by 4,000.

Southern and southwestern regions

The pronounced rise of industrial activity in the South was the major factor contributing to the increase in manufacturing employment from 1929 to 1937. Considering the 16 States and the District of Columbia, which comprise the South Atlantic, East South Central, and West South Central regions, there is found a net growth of 205,432 jobs. More than 80 percent of this increase occurred in the South Atlantic region.

The only States in this area which did not gain in employment were Delaware, Arkansas, Mississippi, and Louisiana. The relatively small decreases which occurred in the latter three States were due primarily to the drop in lumber camps and sawmills. The loss in Delaware amounted to only 424 jobs. On the other hand, the 4 coastal States of Virginia, North Carolina, South Carolina, and Georgia each experienced a growth of over 20,000 in employment. Outside this area, only California and Michigan showed gains of this size, and the rise of 54,000 jobs in North Carolina was the second largest in the country.

In giving an over-all picture of industrial change in the South, one might tell almost the entire story by considering merely the cotton-goods and the lumber- and timber-products industries. Together they accounted for about 502,000 wage earners in 1929, or 35.2 percent of all manufacturing employment in this area. By 1937 this had dropped to about 495,000 wage earners, representing approximately 30.0 percent of southern manufacturing employment. This represented a decrease of 60,000 lumber workers and an increase of almost 50,000 employees in plants manufacturing cotton woven goods and cotton yarn and thread. Virginia was the only Southern State which showed an increase of employment in lumber mills, amounting to 900 workers. In 6 States the decrease in lumber mills was as large as 4,000 men, with Mississippi suffering the greatest loss—13,702 jobs. In cotton, on the other hand, Alabama, Georgia, and the Carolinas each provided at least 9,000 more petitions in 1937 than in 1929.

Supplementing the growth in cotton goods in this area, the other textile industries which recorded the most progress were in the fields of knit-goods manufactoring, where over 25,000 workers were added, and the manufacture of men's clothing which also added in the neighborhood of 25,000 employees. In the latter case, this amounted to an increase of over 50 percent. North and South Carolina were the only States which experienced any significant rise in the dyeing and finishing of textiles. Together they added over 11,000 jobs in this field.

Significant general increases appeared in the canning of fruits, with over 12,000 new jobs, and in bakeries, which added over 8,000 persons to their pay rolls, while steel works and rolling mills—in employing over 9,000 more people, mainly in Maryland and Alabama—followed the general trend shown by this industry.

The furniture industry, which, on a national basis, declined considerably in employment, and especially in the East North Central States, added almost 3,500 workers in the South. However, this increase was not general, and represented mainly a growth in North and South Carolina and Virginia where 4,416 employees were added. Five Southern States showed decreases in furniture manufacturing, the largest decline (over 1,000 workers) occurring in Maryland.

Special interest is attached to the manufacture of paper and pulp in the South in view of the recent developments in the possibilities of southern pine. The available data indicate an increase of over 4,500 employees in these two industries in this region, with Louisiana accounting for about one-third of this amount.[12]

Unfortunately, it is impossible because of the possibility of disclosure to obtain satisfactory State figures on the manufacture of rayon in the South. It is known, however, that Tennessee added 2,000 workers in this industry; it seems very probable that large increases were actually made in other Southern States also.

These general changes account for the major part of the explanation of individual State changes. By and large, there were few significant decreases outside the lumber industry. The remaining outstanding declines, however, consisted of a loss of 3,327 workers making motor-vehicle bodies and parts in Tennessee; 2,076 cigarmakers in Florida; 2,499 employees in petroleum refineries in Louisiana; 1,031 workers in boot and shoe factories in Kentucky; 1,019 men in the cast-iron pipe industry in Alabama; and 783 shipyard workers in Delaware.

Offsetting the decline in shipyards in Delaware was an increase of 4,554 jobs in this industry in Maryland, Texas, and Virginia. The addition of about 4,000 cigarette workers in Kentucky and North Carolina was far larger than the drop in cigarmaking in Florida. The remaining most notable examples of increase were the addition of over 10,000 workers in silk and rayon in North Carolina;[13] over 3,000 foundry and machine-shop workers in Texas; about 2,000 engaged in the refining of cane sugar in Louisiana; and, in Tennessee, a general growth in the boot and shoe, rayon and allied products, men's clothing, and heating- and cooking-apparatus industries.

Great Lakes region

The 5 States in the Great Lakes area, comprising the East North Central geographic division as defined by the Census of Manufactures, rank equally with the Middle Atlantic States in terms of industrial importance. Approximately 30 percent of the manufacturing wage earners of the country are employed in this region. In the entire region there was a net growth in manufacturing employment of 135,781 jobs from 1929 to 1937. Michigan alone gained 142,156 jobs and this gain of 27.4 percent was the largest in the country, both on a numerical and a percentage basis. While Indiana and Illinois also experienced a growth of about 16,000 jobs each, Ohio fell in employment by 18,411 and Wisconsin by 19,727 jobs.

[12] Where growth is as rapid as has been the case in southern kraft paper, the questionnaire method previously referred to may underestimate the increase between 1929 and 1937.

[13] The available evidence indicates that South Carolina also added a large number of employees in silk and rayon manufacturing. Information for 1929 and 1931 has been withheld by the census in order to avoid disclosure of data for individual establishments. However, in 1933, 591 wage earners in silk and rayon plants were reported in South Carolina. For 1937, the number is more than 7,100.

The proximity to coal and iron resources has made the Great Lakes region a center of the manufacturing industries engaged in fabricating steel. It is in these heavy industries that the most important changes in employment occurred in this area. The greatest increase took place in the plants manufacturing motor vehicles and motor-vehicle bodies and parts, which experienced a net growth amounting to over 60,000 workers. This was the result of an increase of 78,183 jobs in body and parts plants and a decrease of 17,353 jobs in assembly plants. Almost all of the gain in the body and parts section of the industry occurred in Michigan, where the increase amounted to 70,593 positions. In addition, Michigan was the only one of these States showing a gain in assembly plants, with 12,516 new workers.

The only other State showing any significant change in body and parts manufacturing was Indiana, where 7,628 new positions were available. On the other hand, Ohio, Indiana, and Wisconsin experienced a loss of almost 30,000 workers in assembly plants to offset the gain in Michigan.

The growth of automobile manufacturing in Michigan is particularly interesting in view of the previously accepted belief that the industry has been decentralizing. From 1929 to 1937, Michigan, the traditional center of the industry, increased its proportion of wage earners from 47.9 percent to 62.1 percent of all wage earners in the industry (table 3). The increased concentration in Michigan, however, occurred almost entirely between 1929 and 1933. In that period total employment in the United States in motor-vehicle and body and parts plants fell from 447,488 to 243,614. There was a decrease in Michigan from 214,368 to 151,200, but it was relatively less than the decrease in plants outside of Michigan, from 233,080 to 92,414. Thus, whereas Michigan had less than half the automobile employment in 1929, it had more than three-fifths by 1933. Between 1933 and 1937 employment expanded both inside and outside of Michigan. The 1937 proportions of the employment in Michigan were about the same as in 1933.

Between 1929 and 1933 the growth of concentration occurred in the Detroit industrial area (Wayne and Oakland Counties). Outside of this area in Michigan, employment declined from 55,931 to 25,083 or in about the same proportion as for the remainder of the country, while in the Detroit area the decline was from 158,437 to 126,117. Comparable figures for 1937 were not available.

In the city of Detroit, however, there was no increase in automobile employment. In 1929, 111,981 wage earners were employed in the automobile industry; in 1937, 111,715.

Table 3.—Employment in the Motor-Vehicle Industry, in the United States and in Michigan, 1929 to 1937

Year	Motor vehicles			Motor-vehicle bodies and parts			Total, motor-vehicle industry		
	Number of wage earners		Percent in Michigan	Number of wage earners		Percent in Michigan	Number of wage earners		Percent in Michigan
	United States	Michigan		United States	Michigan		United States	Michigan	
1929	226,116	108,796	48.1	221,332	105,572	47.7	447,448	214,368	47.9
1931	134,866	64,077	47.5	150,649	88,952	59.0	285,515	153,029	53.6
1933	97,869	59,725	61.0	145,745	91,475	62.8	243,614	151,200	62.1
1935	147,044	83,988	57.1	240,757	154,857	64.3	387,801	238,845	61.6
1937	194,527	121,312	62.4	284,814	176,165	61.9	479,341	297,477	62.1

The increased needs of the automobile industry probably accounted to a considerable degree for the employment of 46,555 additional workers in steel works and rolling mills of the Great Lakes States. This was due to an increase of over 6,000 in every State of the region but Wisconsin, which dropped 1,393 men. Similarly, plants making machine tools and machine-tool accessories gained almost 8,000 workers, with Michigan again showing the largest increase.

The picture in foundries and machine shops was the same as that in automobile-assembly plants. The net gain of 3,855 workers in the region represented a growth of 18,000 in Michigan and large decreases in the other four States. Three other industries in the iron and steel group—hardware, wirework, and stamped

ware—enjoyed substantial general increases in employment, with Wisconsin again being an exception in each case. It should be noted, however, that in the case of hardware, there was a loss of 1,020 jobs in Ohio and a slight decrease in Indiana.

In the food-products group of industries, there was a general growth of about 9,500 in both bakeries and fruit and vegetable canneries; on the other hand, Illinois meat-packing plants lost 3,500 men. Boot and shoe manufacturing gained in employment to the extent of 4,400 jobs, with Wisconsin again failing to follow the upward trend of the other States in the area.

The largest decrease in employment in this region took place in the manufacture of furniture. Only Ohio failed to contribute to the general drop amounting to 17,462 men.

In addition to these general trends, attention may be called to some of the other outstanding developments in each State. The growing use of mechanical refrigerators brought employment opportunities to over 6,000 workers in Michigan. On the other hand, this State lost over 6,200 jobs in plants making agricultural implements and engines and turbines.[14] Other outstanding declines took place in planing mills, cigar factories, and aircraft plants.

In Illinois, 3 of the building-materials industries—clay products, planing mills, and plumbers' supplies—experienced a net loss of 6,000 jobs. In addition, 13,845 workers in electrical-machinery and radio plants lost their positions; and the men's clothing industry dropped about 4,000 workers. Opposed to these declines is found an increase of over 5,000 jobs in the manufacture of agricultural implements and engines and turbines. Gains of over 2,000 workers in the manufacture of nonferrous-metal alloys and women's clothing are the largest of the remaining increases in Illinois.

Nonferrous-metal alloys experienced a large growth in Ohio also, amounting to 5,165 jobs. Glass employed 3,300 additional people. But the clay-products and pottery industries decreased by 8,700 jobs and rubber tires and tubes by 16,588—practically all in the Akron industrial area.

In connection with the rubber-tire industry, it may be noted that, while the industry declined in the country as a whole by about 20,000 wage earners, the drop in Ohio was relatively more pronounced than the national decrease. In percentage terms, the whole industry declined 24.0 percent from 1929 to 1937; Ohio declined 30.0 percent. It will be seen from table 4 that the tire industry suffered its loss on a national basis between 1929 and 1931 and that there has been a gradual recovery from 1931 to 1937. The same situation holds true for the State of Ohio and for the Akron industrial area (Summit County) until 1935. However, between 1935 and 1937, when the industry as a whole was still engaged in reemploying workers, this trend was reversed in Ohio and the Akron area. This is probably an indication of the increasing relative importance of other States in the manufacture of tires and tubes.

TABLE 4.—*Employment in Rubber-Tire and Inner-Tube Industry in the United States, Ohio, and Akron Industrial Area, 1929 to 1937*

Year	Number of wage earners		
	United States	Ohio	Akron industrial area
1929	83,263	55,307	51,135
1931	49,159	32,180	29,241
1933	52,976	35,621	32,514
1935	57,128	39,063	36,701
1937	63,290	38,719	35,525

In Indiana, the reduction of 3,400 men in wire drawing was second only to that in motor-vehicle manufacturing. In addition, there was a considerable decrease in such building-materials industries as clay, lumber, marble, and planing mills. Lumber also showed a sharp decline of 6,400 employees in Wisconsin. The loss of 2,200 knit-goods workers in Wisconsin is also worthy of special note.

[14] These industries must be treated in combination because of the transfer of tractors from engines and turbines in 1929 to agricultural implements by 1937.

Mountain and West North Central Regions

The 15 States comprising the Mountain and the West North Central geographic divisions experienced a decrease of 17,665 wage-earner jobs in manufacturing industries from 1929 to 1937. This decline of 3.5 percent was the result of a drop in employment in all these States except North Dakota, New Mexico, and Nevada. The fact that only 5 of the 15 States had as many as 25,000 employees in manufacturing industries indicates that, by and large, this region is not an important center of industrial activity. In fact, 6 of these States each provided factory employment to less than 10,000 wage earners.

In terms of absolute numbers of workers, no State in this region showed a very large change. The greatest decrease was in Kansas, where 4,322 workers lost their jobs, and the increase of 766 jobs in New Mexico represented the largest gain.

Missouri, the most important industrial State in this area, showed practically no change in total manufacturing employment from 1929 to 1937. The most significant shifts which occurred here were the addition of more than 1,500 wage earners in the manufacture of men's clothing, a decline of about 4,000 employees in building-materials industries, and the addition of over 2,000 workers in the electrical-machinery industry. Boot and shoe manufacturing, the largest industry in the State, added about 1,200 men. Other outstanding decreases occurred in the manufacture of heating and cooking apparatus, and motor vehicles, including motor-vehicle bodies and parts.

It is difficult to present a detailed picture for many of the remaining States. For the most part, the industry changes are small, seldom amounting to more than a few hundred employees. The general upward trends in bakeries and canning, and downward trends in lumber and other building-materials industries are still apparent.

Pacific region

On the Pacific coast, the regional increase of 35,412 workers is explained almost entirely by the growth of California as a manufacturing State. In fact, Washington suffered a decrease of 7,472 in employment, largely because the most important industry in the State, lumber, declined by almost 10,000 jobs. The most important gain in Washington occurred in paper and pulp mills. A similar gain in paper and pulp manufacturing, plus the fact that it was one of the very few States which showed an increase in the lumber industry, accounted to a large degree for the addition of 3,752 jobs in Oregon.

In California itself, the most notable development was the tremendous expansion in plants manufacturing aircraft and aircraft parts. Whereas only 1,277 workers were so engaged in 1929, by 1937 the number had risen to 11,520, thus making California the leading State in this industry. This development was accompanied by a general growth in almost all fields of manufacturing activity. Among the textile industries, the largest gains were recorded in the manufacture of men's and women's clothing, and knit goods. Bakeries' canneries, and slaughtering houses between them added almost 12,000 workers. Automobile plants, including those making bodies and parts, gained in employment by 2,664 people. Other large increases were recorded in structural and ornamental metal work, heating and cooking apparatus, glass, chemicals, and petroleum. The largest decrease took place in lumber, which dropped 3,845 workers. Of the building-materials industries, clay products and planing mills together dropped about 2,900 people. There was a loss of 2,324 workers making agricultural implements and engines and turbines.

NEW INDUSTRIES

A separate discussion has been reserved for two industries which may be considered as "new." In 1937, 63,351 workers were employed in making alcoholic beverages.[15] There was virtually no legal employment of this kind in 1929; the total shown by the census for this year was 1,670. Almost every State in the country was benefited by the resumption of activity in these industries after the repeal of the prohibition act. Table 5 gives the 1937 employment figures by State for each of the four industries.

[15] These employees were grouped in 4 industries by the Census of Manufactures, as follows: Liquors, malt, with 47,037 wage earners; liquors, rectified or blended, with 7,094 wage earners; liquors, distilled, with 6,215 wage earners; and liquors, vinous, with 3,005 wage earners.

TABLE 5.—*Employment in Industries Making Alcoholic Beverages, 1937*

State	Liquors, distilled	Liquors, malt	Rectified or blended	Vinous
Arizona	(1)	(1)	(1)	12
Arkansas	332	1,611	376	1,713
California	(1)	298	(1)	
Colorado	(1)	421	138	
Connecticut		(1)		
Delaware		(1)		
District of Columbia		385	(1)	
Florida		(1)		(1)
Georgia		32		
Idaho	1,038	2,993	1,443	(1)
Illinois	803	1,675	1,074	
Indiana		147		(1)
Iowa	2,070	993	238	
Kentucky	(1)	771	55	(1)
Louisiana			(1)	
Maine	672	1,377	871	(1)
Maryland	107	1,025	321	
Massachusetts	(1)	2,526	72	137
Michigan	(1)	1,725	(1)	(1)
Minnesota	11	2,823	42	(1)
Missouri	(1)	154		
Montana		313		
Nebraska		(1)		
Nevada		(1)		
New Hampshire	79	1,884	484	66
New Jersey	169	5,608	236	647
New York		(1)		(1)
North Carolina	251	3,398	509	122
Ohio		(1)		
Oklahoma	(1)	103		14
Oregon	456	4,992	1,102	
Pennsylvania		340	(1)	(1)
Rhode Island		(1)		
South Dakota		169		
Tennessee		903		13
Texas		(1)		
Utah	(1)			
Vermont	52	104		
Virginia		729	30	151
Washington		62		
West Virginia		4,038	30	
Wisconsin		(1)		
Wyoming				
United States	6,215	47,037	7,094	3,005

[1] Withheld to avoid disclosure.

New York, with 6,640 employees, and Pennsylvania, with 6,550 employees, were the leading States in such manufacturing in 1937. Over 20,000 workers were employed in beverage plants in the 5 States of the Great Lakes region, Ohio and Wisconsin each having over 4,000. The other States in which as many as 2,000 workers were hired in the industry were California, Kentucky, Maryland, Missouri, and New Jersey.

In 1937, 16,673 workers were engaged in the manufacture of synthetic resin. The earliest year for which comparable figures are available is 1931, when the industry employed 5,654 people. The industry has developed mainly in the northeast section of the country. Pennsylvania plants provided the largest number of jobs; the census indicated 2,524 wage earners there in 1937. New York and New Jersey, Connecticut and Massachusetts, and Delaware were the other leading States in the Northeast. The only State in another section of the country which witnessed an expansion in this industry was Illinois, which was reported to have 2,164 wage earners in 1937.

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CHANGES IN EMPLOYMENT, BY STATE

Table 6 presents, in summary form, the most important changes in employment in manufacturing industries for each State. No data appear for North Dakota and Nevada, since these two States have so few manufacturing employees in any industry.

It will be noticed that some of the employment figures are given as approximations. This procedure was necessary for some industries which the census has divided into subindustries, as well as in those cases in which it was necessary to combine several industries in order to obtain comparable data for 1929 and 1937. In either case, it was often found that, for a particular State, employment figures were given for some, and not all, of the industries which had to be combined.

In addition, it should be kept in mind that not every important change which actually took place is recorded in the table. To avoid disclosure of data reported by individual establishments, the industry statistics for particular States are, in many cases, omitted in the report of the Census of Manufactures.[16] In some instances, the industries so omitted are more important, in terms of wage-earner employment, than many of the other industries in the State for which separate figures are given. Attention has been called to this fact on a few occasions in the text, as in the case of silk and rayon manufacturing in South Carolina.[17]

TABLE 6.—*Changes in employment in manufacturing industries from 1927 to 1937, by States*

MAINE

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Boots and shoes	9,967	13,605	3,638	Pulp	3,835	3,356	479
Shipbuilding	1,134	2,088	954	Planing-mill products	596	273	323
Canning, fruit, etc	1,140	1,999	859	Paper	8,296	8,023	273
Cotton goods	[1] 9,862	(2)	(2)	Canning, fish, etc	2,393	2,162	231
Wood, turned and shaped	2,212	2,661	449	Printing and publishing, newspapers, etc	1,011	838	173
Lumber	3,436	3,774	338				
Worsted goods	3,956	4,148	192				

NEW HAMPSHIRE

Boots and shoes	14,544	17,713	3,169	Cotton goods	13,769	7,162	6,607
Woolen and felt goods	[1] 4,482	5,153	[3] 671	Worsted goods	4,046	683	[3] 3,463
Wood, turned and shaped	425	1,011	586	Pulp	2,432	1,349	1,083
				Lumber	1,982	1,271	711
				Paper	2,580	1,974	606
				Textile machinery	1,108	756	352

VERMONT

Woolen and felt goods	1,499	3,579	2,080	Marble, granite, etc	5,287	3,219	2,068
Wood, turned and shaped	906	1,196	290	Machine tools	2,610	1,700	910
				Lumber	2,371	1,952	419
				Furniture	1,147	944	203

See footnotes at end of table, p. 102.

[16] Biennial Census of Manufactures, 1937, pt. I (p. 1329).
[17] See footnote 13, p. 87.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

MASSACHUSETTS

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Silk and rayon	7,390	[3] 12,345	[3] 4,955	Cotton goods	70,788	42,464	28,324
Men's clothing	[3] 8,939	[3] 13,193	[4] 4,254	Boots and shoes	55,093	46,720	8,373
Women's clothing	6,874	[3] 10,713	[3] 3,839	Boots and shoes, rubber	11,163	6,034	5,129
Bread	10,413	13,047	2,634	Foundry and machine-shop products	21,243	17,429	3,814
Worsted goods	29,962	32,474	2,512	Motor-vehicle bodies and parts	3,393	552	2,841
Paper goods, n. e. c	4,053	5,559	1,506	Carpets and rugs, wool	4,297	1,725	2,572
Machine tool accessories	3,239	4,239	1,000	Dyeing and finishing	14,450	12,150	2,300
Shipbuilding	3,635	4,611	976	Woolen and felt goods	16,574	14,287	2,287
				Cutlery	3,467	2,372	2,226
				Rubber tires and tubes and rubber goods, n. e. c	9,764	7,846	1,918
				Paper	12,138	10,506	1,632
				Jewelry	5,422	4,018	1,404
				Confectionery	7,471	6,340	1,131
				Furniture	8,598	7,798	800
				Planing-mill products	2,011	1,317	694

RHODE ISLAND

Rubber goods, n. e. c	1,822	3,290	1,468	Cotton goods	21,833	(2)	(2)
Lace goods	1,005	1,782	777	Jewelry	10,273	7,215	3,058
Silk and rayon	7,589	(2)	(2)	Textile machinery	3,711	2,089	1,622
Beverages, alcoholic	0	[3] 340	[3] 340	Cotton narrow fabrics	4,781	3,783	998
Dyeing and finishing	9,242	9,440	198	Worsted goods	21,216	20,262	954

CONNECTICUT

Women's clothing	3,484	[3] 7,146	[3] 3,662	Silk and rayon	10,501	[3] 5,408	[1] 5,093
Men's clothing	3,836	[3] 6,306	[3] 2,470	Hardware	17,951	14,143	3,808
Cutlery	2,534	4,604	2,070	Cotton goods	10,789	9,062	1,727
Bread	2,592	3,907	1,315	Silverware and plated ware	[3] 5,275	3,669	[3] 1,606
Wirework, n. e. c	864	1,867	1,003	Cotton narrow fabrics	2,452	1,113	1,339
Hats, fur-felt	6,078	6,936	858	Machine tools	6,402	5,642	760
Dyeing and finishing	2,309	[3] 2,998	[3] 689	Rubber goods, n. e. c	3,200	2,534	666
Wire, drawn from purchased rods	901	1,561	660	Planing-mill products	1,031	546	485
Machine tool accessories	1,676	2,238	562				
Beverages, alcoholic	0	[3] 559	[3] 559				
Stamped ware	1,882	2,422	540				
Motor-vehicle bodies and parts	866	1,227	361				
Needles, pins, etc	2,388	2,730	342				

NEW YORK

Women's clothing	102,096	115,528	13,432	Electrical machinery, radios and phonographs	44,279	32,982	11,297
Beverages, alcoholic	[1] 734	6,660	[3] 5,916	Foundry and machine-shop products	47,638	38,620	9,018
Bread	33,704	37,269	3,565	Men's clothing	[3] 70,665	62,670	[3] 7,995
Steel works and rolling mills	17,952	20,638	2,686	Millinery	16,655	[3] 10,608	[1] 6,047
Artificial flowers	1,664	3,712	2,048	Motor vehicles	10,603	4,621	5,982
Paper goods, n. e. c	3,962	5,845	1,883	Knit goods	31,558	26,087	5,471
Canning, fruit, etc	7,810	9,534	1,724	Cigars and cigarettes	8,602	3,160	5,442
Corsets and allied garments	4,702	6,333	1,631				
Glass	3,148	4,747	1,599				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

NEW YORK—Continued

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Gloves, leather	5,582	7,046	1,464	Printing and publishing, book, music, and job	32,388	27,266	5,122
Buttons	2,468	3,734	1,266	Furniture	25,220	20,380	4,840
				Silk and rayon	10,261	[3] 5,609	[1] 4,652
				Motor-vehicle bodies and parts	19,617	15,052	4,565
				Planing-mill products	7,071	3,340	3,731
				Boots and shoes	36,980	33,673	3,307
				Nonferrous-metal alloys	13,901	10,664	3,237
				Structural and ornamental metal work	6,854	4,005	2,849
				Bookbinding	10,126	7,528	2,598
				Confectionery	9,602	7,108	2,494
				Marble, granite, etc	4,410	1,943	2,467
				Shipbuilding	10,811	8,598	2,213
				Electroplating	3,189	1,283	1,906
				Beverages, nonalcoholic	3,582	1,788	1,794
				Pianos	3,747	2,071	1,676
				Sugar refining, cane	4,352	2,930	1,422
				Sheet-metal work	3,142	1,847	1,295
				Hardware	3,834	2,589	1,245
				Cotton goods	5,811	4,606	1,205
				Ice, manufactured	2,554	1,392	1,162
				Jewelry	5,204	4,146	1,058

NEW JERSEY

Women's clothing	8,972	23,572	14,600	Silk and rayon	21,419	9,991	11,428
Men's clothing	15,074	[3] 19,884	[3] 4,810	Dyeing and finishing	23,097	[1] 13,604	[1] 9,493
Bread	7,223	11,096	3,873	Foundry and machine-shop products	22,343	19,769	2,574
Shipbuilding	7,551	10,708	3,157	Electrical machinery, radio, and phonographs	[3] 42,193	39,782	[3] 2,411
Chemicals, n. e. c	13,504	16,198	2,694	Cotton goods	4,758	2,961	1,797
Boxes, paper	2,945	5,366	2,421	Structural and ornamental metal work	2,763	1,047	1,716
Rubber goods, n. e. c	7,740	9,999	2,259	Motor-vehicle bodies and parts	3,086	1,977	1,109
Asbestos products	1,920	3,797	1,877				
Beverages, alcoholic	[1] 737	2,513	[3] 1,776				
Cast-iron pipe	2,271	3,535	1,264				
Worsted goods	7,293	8,533	1,240				
Furs, dressed and dyed	1,317	2,508	1,191				
Wire drawn from purchased rods	1,988	2,959	971				
Paint	4,510	5,384	874				
Steel works and rolling mills	8,056	8,915	859				
Toys	1,471	2,239	768				
Nonferrous-metal alloys	4,149	4,701	552				

PENNSYLVANIA

Steel works and rolling mills	145,684	165,952	20,268	Silk and rayon	61,544	41,203	20,341
Men's clothing	[1] 42,041	[3] 52,168	[3] 10,127	Foundry and machine-shop products	55,364	47,604	7,760
Women's clothing	14,688	24,686	9,998	Cigars and cigarettes	25,221	[1] 17,571	[3] 7,650
Beverages, alcoholic	302	6,550	6,248	Cotton goods	7,773	3,775	3,998
Bread	23,960	27,978	4,018	Dyeing and finishing	8,858	4,984	3,874
Boots and shoes	10,429	12,942	2,513	Motor-vehicle bodies and parts	11,678	9,009	2,669
Canning fruit, etc	3,725	5,801	2,076	Cement	7,470	5,585	1,885
Petroleum refining	7,895	9,390	1,495	Carpets and rugs, wool	6,904	5,326	1,578
Chemicals, n. e. c	3,280	4,691	1,411	Confectionery	7,469	6,071	1,398
Asbestos products	1,136	2,436	1,300	Knit goods	62,141	61,374	767
Boxes, paper	5,276	6,279	1,003				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

OHIO

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Stamped ware	6,959	14,978	8,019	Rubber tires and inner tubes	55,307	38,719	16,588
Steel works and rolling mills	89,123	95,530	6,407	Motor vehicles	28,727	12,811	15,916
Nonferrous-metal alloys	4,769	9,934	5,165	Clay	17,060	11,286	5,774
Beverages, alcoholic	[1] 17	4,280	[3] 4,263	Structural and ornamental metal work	7,464	3,674	3,790
Bread	13,567	17,661	4,094	Foundry and machine-shop products	61,453	58,058	3,395
Glass	9,491	12,793	3,302				
Machine tools	11,857	14,527	2,670				
Boots and shoes	12,258	14,810	2,552				
Men's clothing	[3] 17,786	[3] 18,763	[4] 977				
Canning, fruit, etc	2,480	3,390	910				

INDIANA

Steel works and rolling mills	29,169	43,400	14,231	Motor vehicles	20,573	11,279	9,294
Motor-vehicle bodies and parts	13,653	21,281	7,628	Wire, drawn from purchased rods	4,881	1,480	3,401
Canning, fruit, etc	4,877	8,460	3,583	Furniture	18,700	15,406	3,294
Beverages, alcoholic	[1] 720	[3] 3,552	[3] 2,832	Foundry and machine-shop products	26,222	[1] 23,099	[3] 3,123
Stamped ware	1,867	3,479	1,612	Clay	4,985	2,381	2,604
Men's clothing	9,894	[3] 11,146	[3] 1,252	Cigars and cigarettes	3,238	1,346	1,892
Petroleum refining	[1] 5,913	6,768	[3] 855	Marble, granite, etc	3,342	1,676	1,666
Bread	5,055	5,784	729	Planing-mille products	2,598	1,346	1,252
Women's clothing	1,524	[3] 2,182	[3] 658	Heating and cooking apparatus	3,002	2,074	928
				Printing and publishing, book, music, and job	3,928	3,052	876
				Cars, electric and steam railroad	5,438	4,633	805
				Lumber	3,254	2,503	751
				Meat packing	4,976	4,458	518

ILLINOIS

Steel works and rolling mills	30,416	41,426	11,010	Electrical machinery, radios, and phonographs	57,646	43,801	13,845
Agricultural implements, engines, tractors, etc	36,167	41,193	5,026	Furniture	23,767	17,696	6,071
Beverages, alcoholic	[1] 720	[3] 5,474	[3] 4,754	Men's clothing	[3] 25,256	[3] 20,428	[4] 4,828
Bread	16,929	20,013	3,084	Meat packing	29,618	26,120	3,498
Canning, fruit, etc	4,475	7,270	2,795	Clay	6,506	4,204	2,302
Lithographing	2,501	4,702	2,201	Planing-mill products	6,179	3,986	2,193
Women's clothing	13,802	[3] 15,971	[3] 2,169	Foundry and machine-shop products	45,064	42,944	2,120
Nonferrous-metal alloys	5,406	7,447	2,041	Printing and publishing:			
Boots and shoes	14,725	16,662	1,937	Book, music, and job	26,425	24,588	1,837
Wirework, n. e. c	1,989	3,629	1,640	Newspapers, etc	11,660	10,546	1,114
Heating and cooking apparatus	17,065	18,704	1,639	Lighting equipment	4,592	3,721	871
Tin cans and other tinware	6,085	7,551	1,466	Signs and advertising novelties	3,321	2,494	827
Rubber goods, n. e. c	1,496	2,788	1,292	Ice, manufactured	1,879	1,219	660
Machine tools	3,653	4,839	1,186				
Boxes, paper	5,382	6,358	976				
Chemicals, n. e. c	3,626	4,541	915				
Stamped ware	4,760	5,652	892				
Leather	3,661	4,480	819				
Screw-machine products	2,707	3,482	775				
Motor-vehicle bodies and parts	5,273	5,804	531				
Glass	4,658	5,177	519				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

MICHIGAN

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Motor-vehicle bodies and parts	105,572	176,165	70,593	Agricultural implements, engines, tractors, etc	[3] 8,951	2,680	[3] 6,271
Foundry and machine-shop products	42,492	60,504	18,012	furniture	20,941	14,851	6,090
Steel works and rolling mills	4,724	21,024	16,300	Cigars and cigarettes	4,073	2,334	1,739
Motor vehicles	108,796	121,312	12,516	Planing-mill products	3,784	2,121	1,663
Refrigerators	3,942	10,165	6,223	Electrical machinery, radios, and phonographs	[3] 8,196	6,782	[3] 1,414
Hardware	10,077	15,948	5,871	Aircraft	1,510	284	1,226
Wirework, n. e. c	6,162	11,015	4,853	Printing and publishing, book, music, and job	6,074	4,904	1,170
Machine-tool accessories	9,010	11,773	2,763	Lighting equipment	2,010	1,120	890
Beverages, alcoholic	0	[3] 2,735	[3] 2,735	Nonferrous-metal alloys	10,219	9,561	658
Printing and publishing, newspapers, etc	3,950	5,545	1,595	Screw-machine products	3,418	2,826	592
Chemicals, n. e. c	5,414	6,891	1,477				
Canning, fruit, etc	2,617	3,956	1,339				
Bread	9,349	10,483	1,134				
Sugar, beet	619	1,330	711				
Women's clothing	1,420	[3] 2,124	[3] 704				
Machine tools	1,554	2,246	692				
Heating and cooking apparatus	6,131	6,661	530				
Leather	2,070	2,569	499				

WISCONSIN

Agricultural implements, engines, tractors, etc	14,932	22,699	7,767	Lumber	14,489	8,102	6,387
Beverages, alcoholic	0	4,068	4,068	Foundry and machine-shop products	24,207	18,688	5,519
Paper	9,741	11,157	1,416	Motor vehicles	10,241	5,675	4,566
Electric machinery, radios, and phonographs	7,845	9,127	1,282	Knit goods	11,118	[3] 8,837	[1] 2,281
Forgings	628	1,582	954	Furniture	8,714	6,574	2,140
Canning, fruit, etc	5,290	6,171	881	Steel works and rolling mills	5,248	3,855	1,393
Heating and cooking apparatus	3,016	3,671	655	Planing-mill products	5,283	4,519	764
Leather	3,791	[3] 4,307	[3] 516	Boxes, wooden	2,027	1,314	713
Bread	4,758	5,138	380	Strucural and ornamental metal work	1,570	942	628
				Pulp	3,446	3,069	377
				Aluminum	3,921	3,578	343

MINNESOTA

Beverages, alcoholic	0	[3] 1,725	[3] 1,725	Lumber	4,412	2,437	1,975
Refrigerators	1,160	2,778	1,618	Signs and advertising novelties	1,915	386	1,529
Meat packing	6,936	8,537	1,601	Flour	3,535	2,373	1,162
Canning, fruit, etc	1,767	2,470	703	Foundry and machine-shop products	5,820	4,768	1,052
Heating and cooking apparatus	[1] 2,148	2,785	[3] 637	Furniture	2,052	1,241	811
Printing and publishing, newspapers, etc	2,994	3,566	572	Marble, granite, etc	1,781	1,214	567
Motor-vehicle bodies and parts	447	819	372	Boots and shoes	1,047	642	405
Bread	3,891	4,079	188				

IOWA

Meat packing	8,663	9,521	858	Furniture	1,552	1,006	546
Bread	3,516	4,257	741	Printing and publishing, book, music, and job	[3] 1,469	1,023	[3] 446
Canning, fruit, etc	1,820	2,174	354	Motor-vehicle bodies and parts	371	188	183
Planing-mill products	3,525	3,831	306	Cigars and cigarettes	307	54	253

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

MISSOURI

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Beverages, alcoholic	0	[3] 2,876	[3] 2,876	Heating and cooking apparatus	[1] 3,460	1,863	[1] 1,597
Electrical machinery, radios, and phonographs	7,225	9,560	2,335	Clay	4,856	3,822	1,034
Men's clothing	[1] 12,872	[3] 14,371	[3] 1,409	Boxes, wooden	1,337	318	1,010
Boots and shoes	24,903	26,110	1,207	Millinery	2,042	1,118	924
Steel works and rolling mills	3,406	4,467	1,061	Motor vehicles	6,086	5,246	849
Paper goods, n. e. c	147	1,144	997	Foundry and machine-shop products	8,607	7,773	834
Cars, electric and steam railroad	2,881	3,487	606	Motor-vehicle bodies and parts	4,220	3,404	816
Stamped ware	781	1,203	422	Confectionery	2,847	2,073	774
Women's clothing	6,903	[3] 7,201	[3] 298	Meat packing	5,614	5,066	548
				Cement	1,764	1,223	541
				Planing-mill products	1,755	1,270	485
				Printing and publishing, book, music, and job	[3] 5,354	4,895	[3] 459
				Ice, manufactured	1,150	739	411
				Marble, granite, etc	819	441	378
				Printing and publishing, newspapers, etc	4,284	3,972	312

SOUTH DAKOTA

				Lumber	852	500	352
				Bread	731	628	103

NEBRASKA

Beverages, alcoholic	0	313	313	Meat packing	6,037	5,012	1,025
Bread	1,912	2,154	242	Printing and publishing:			
				Newspapers, etc	1,564	1,142	422
				Book, music, and job	887	699	188
				Confectionery	235	105	130

KANSAS

Petroleum refining	3,113	3,335	222	Meat packing	9,068	8,049	1,019
Bread	1,791	1,900	109	Clay	1,101	513	588
				Cement	1,176	754	422
				Aircraft	913	510	403
				Planing-mill products	565	360	205

DELAWARE

Canning, fruit, etc	1,414	1,758	344	Shipbuilding	1,239	456	783
				Paper	585	360	225

MARYLAND

Steel works and rolling mills	[1] 13,956	18,242	[3] 4,286	Furniture	2,409	1,392	1,017
Canning, fruit, etc	6,059	9,138	3,079	Foundry and machine-shop products	4,735	[3] 3,893	[1] 842
Shipbuilding	[1] 720	[3] 2,920	[3] 2,200	Confectionery	1,187	659	528
Beverages, alcoholic	17,856	[3] 19,233	[3] 1,377				
Men's clothing	3,452	4,552	1,100				
Bread	1,240	1,914	674				
Paper	2,239	2,637	398				
Boots and shoes							

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

DISTRICT OF COLUMBIA

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Printing and publishing, newspapers, etc	1,338	1,762	424	Planing-mill products	201	96	105
Bread	1,346	1,729	383				

VIRGINIA

Cotton goods	7,672	12,001	4,329	Boxes, wooden	1,138	585	553
Men's clothing	[1] 4,895	[3] 8,900	[3] 4,005				
Furniture	6,285	8,504	2,219				
Canning, fruit, etc	1,712	3,578	1,866				
Knit goods	3,125	[3] 4,893	[3] 1,768				
Silk and rayon	2,249	[3] 3,318	[3] 1,069				
Lumber	8,720	9,629	909				
Shipbuilding	6,760	7,464	704				
Dyeing and finishing	[1] 701	[3] 1,378	[3] 677				
Planing-mill products	1,847	2,429	582				
Bread	1,709	2,202	493				
Paper	1,935	2,423	488				
Pulp	1,553	1,823	270				

WEST VIRGINIA

Chemicals, n. e. c	1,968	4,866	2,898	Lumber	7,955	5,538	2,417
Steel works and rolling mills	12,936	14,674	1,738	Planing-mill products	686	417	269
Glass	11,123	12,763	1,640				
Stamped ware	1,346	2,372	1,026				
Bread	1,449	1,944	495				
Pottery	5,683	6,083	400				
Woolen and felt goods	779	1,032	253				

NORTH CAROLINA

Knit goods	22,930	[3] 37,883	[3] 14,953	Lumber	17,364	14,560	2,804
Cotton goods	91,844	104,158	12,314	Ice, manufactured	1,197	359	838
Silk and rayon	2,922	[3] 13,264	[3] 10,342				
Dyeing and finishing	2,363	8,465	6,102				
Cigars and cigarettes	13,778	[3] 16,421	[3] 2,643				
Furniture	15,609	16,789	1,180				
Bread	1,249	2,118	869				
Men's clothing	[1] 3,234	[3] 3,698	[3] 464				
Paper	425	665	240				

SOUTH CAROLINA

Cotton goods	71,731	81,002	9,271	Lumber	15,720	11,015	4,705
Dyeing and finishing	1,939	[3] 6,979	[3] 5,040				
Furniture	77	1,094	1,017				

GEORGIA

Cotton goods	55,868	69,735	13,867	Lumber	15,454	10,665	4,789
Knit goods	6,018	9,419	3,401	Planing-mill products	2,788	1,842	946
Men's clothing	[1] 3,758	[3] 6,528	[2] 2,770	Marble, granite, etc	2,303	1,473	830
Woolen and felt goods	[1] 1,182	2,441	1,259				
Boxes, wooden	1,231	2,164	933				
Bread	1,906	2,657	751				
Cottonseed oil	1,519	2,240	721				
Dyeing and finishing	1,145	1,582	437				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

FLORIDA

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Canning, fruit, etc	1,735	4,372	2,637	Cigars and cigarettes	12,072	9,996	2,076
Boxes, wooden	1,030	2,767	1,737	Lumber	17,438	15,400	2,038
Bread	1,724	2,520	796	Ice, manufactured	1,461	650	811
Beverages, alcoholic	0	[3] 385	[3] 385				
Fertilizer	1,084	1,318	234				
Canning, fish, etc	188	290	202				

KENTUCKY

Beverages, alcoholic	[1] 720	3,301	[3] 2,581	Lumber	4,604	3,461	1,143
Cigars and cigarettes	2,284	3,446	1,162	Boots and shoes	2,438	1,407	1,031
Steel works and rolling mills	5,358	6,490	1,132	Printing and publishing, newspapers, etc	1,540	1,097	443
Bread	1,620	2,262	642				
Meat packing	892	1,254	362				
Wood, turned	51	367	316				
Furniture	2,890	3,205	315				
Knit goods	1,195	1,496	301				

TENNESSEE

Men's clothing	3,588	[3] 9,736	[3] 6,148	Motor-vehicle bodies and parts	3,419	92	3,327
Knit goods	17,839	[3] 20,956	[3] 3,117	Lumber	10,304	7,092	3,212
Heating and cooking apparatus	[3] 2,771	5,427	[1] 2,656	Planing-mill products	3,701	3,138	563
Boots and shoes	2,116	4,464	2,348				
Wood, turned	1,222	3,542	2,320				
Rayon and allied products	7,537	9,582	2,045				
Chemicals, n. e. c	1,360	3,051	1,691				
Bread	2,124	2,846	722				
Cotton goods	7,544	7,884	340				
Pulp	477	762	285				
Paper	466	569	103				

ALABAMA

Cotton goods	27,724	37,667	9,943	Lumber	25,954	17,293	8,661
Steel works and rolling mills	9,253	11,242	1,989	Cast-iron pipe	9,335	8,316	1,019
Knit goods	2,607	[3] 3,734	[3] 1,127	Blast-furnace products	2,398	1,831	567
Cottonseed oil	988	1,652	664	Planing-mill products	1,982	1,418	564
Bread	1,513	1,950	437				
Coke-oven products	1,606	2,041	435				
Paper	[1] 710	982	[3] 272				
Pulp	[1] 450	665	[3] 215				

MISSISSIPPI

Men's clothing	[1] 2,395	[3] 6,257	[3] 3,862	Lumber	30,747	17,045	13,702
Canning, fish, etc	636	2,211	1,575				
Cotton goods	2,342	3,031	689				
Wood distillation	449	884	435				
Boxes, wooden	560	931	371				
Cottonseed oil	2,080	2,329	249				
Canning, fruit, etc	387	578	191				

ARKANSAS

Canning, fruit, etc	1,347	2,315	968	Lumber	21,541	17,322	4,219
Wood, turned	547	1,103	556				
Furniture	1,551	1,962	411				
Cotton goods	617	819	202				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

LOUISIANA

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Sugar, cane	2,319	[1] 4,221	[1] 1,902	Lumber	30,116	20,642	9,474
Canning, fish, etc	1,402	2,530	1,128	Petroleum refining	6,982	4,483	2,499
Sugar refining, cane	2,223	3,181	958				
Pulp	996	1,793	797				
Paper	1,150	1,942	792				
Chemicals, n. e. c	[1] 147	821	[3] 674				
Beverages, alcoholic	342	[3] 826	[3] 484				
Canning, fruit, etc	415	720	305				

OKLAHOMA

Foundry and machine-shop products	1,973	[3] 2,547	[3] 574	Lumber	2,883	2,162	721
Butter	257	635	378	Clay	583	301	282
Meat packing	[1] 1,857	2,198	[3] 341				
Bread	1,706	2,016	310				
Flour	746	934	188				
Petroleum refining	5,164	5,310	146				

TEXAS

Foundry and machine-shop products	8,422	[3] 11,545	3,123	Lumber	16,387	13,117	3,270
Canning, fruit, etc	597	3,284	2,687	Ice, manufactured	2,946	1,688	1,258
Petroleum refining	19,434	21,017	1,583	Clay	2,244	1,588	656
Shipbuilding	579	2,075	1,496				
Men's clothing	3,941	[3] 5,156	[3] 1,215				
Bread	5,137	6,323	1,186				
Beverages, alcoholic	0	916	916				
Cotton goods	4,649	5,538	889				
Bone black	842	1,554	712				
Flour	1,326	1,770	444				

MONTANA

Sugar, beet	356	689	333	Lumber	3,501	2,810	691
Petroleum refining	168	430	262				
Printing and publishing, newspapers, etc	394	614	220				

IDAHO

Canning, fruit, etc	222	374	152	Lumber	11,228	8,040	3,188
Bread	267	408	141				

WYOMING

Bread	152	256	104	Petroleum refining	1,679	1,169	510

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

COLORADO

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Foundry and machine-shop products	1,036	[3] 1,782	[3] 746	Lumber	1,219	795	424
Meat packing	1,497	1,934	437	Printing and publishing, book, music, and job	1,034	691	343
Beverages, alcoholic	0	[3] 299	[3] 299	Confectionery	508	279	229
Bread	1,689	1,915	226	Printing and publishing, newspapers, etc	1,121	975	146

NEW MEXICO

Lumber	1,549	2,030	481				
Bread	177	284	107				

ARIZONA

Bread	322	514	192	Smelting and refining copper	3,711	2,262	1,449
				Lumber	2,084	1,527	557
				Ice, manufactured	399	231	168

UTAH

Sugar, beet	691	851	160	Flour	431	295	136
				Canning, fruit, etc	1,859	1,732	127
				Smelting and refining, lead	1,468	1,370	98

WASHINGTON

Pulp	2,394	4,318	1,924	Lumber	58,570	48,615	9,955
Canning, fruit, etc	3,720	4,910	1,190	Clay	1,066	474	592
Beverages, alcoholic	0	910	910	Canning, fish, etc	1,122	968	154
Paper	2,774	3,345	571				
Planing-mill products	3,600	4,169	569				
Feeds, prepared for animals and fowls	410	632	222				
Bread	2,607	2,827	220				
Furniture	1,632	1,844	212				
Meat packing	1,283	1,424	141				

OREGON

Lumber	34,832	36,040	1,208	Printing and publishing, book, music, and job	665	503	162
Paper	1,115	2,008	893				
Canning, fruit, etc	4,101	4,919	818				
Pulp	734	1,236	502				
Furniture	2,095	2,222	127				
Bread	1,647	1,768	121				

See footnotes at end of table, p. 102.

TABLE 6.—*Changes in employment in manufacturing industries from 1929 to 1937, by States*—Continued

CALIFORNIA

Industries with increase in employment				Industries with decrease in employment			
Industry	Number of wage earners			Industry	Number of wage earners		
	1929	1937	Increase		1929	1937	Decrease
Aircraft	1,277	11,520	10,243	Lumber	21,822	17,977	3,845
Canning, fruit, etc	28,186	34,055	5,869	Agricultural implements, engines, tractors, etc	3,624	1,300	2,324
Beverages, alcoholic	265	4,032	3,767	Millinery	2,702	1,100	1,602
Women's clothing	7,165	[3] 9,697	[3] 2,532	Foundry and machine-shop products	17,186	15,647	1,539
Canning, fish, etc	4,319	6,499	2,180	Clay	4,983	[2] 3,455	1,528
Bread	11,395	13,519	2,124	Planing-mill products	7,159	5,769	1,390
Motor vehicles	5,443	7,229	1,786				
Heating and cooking apparatus	[1] 1,399	3,586	[3] 1,687				
Meat packing	3,858	5,413	1,555				
Printing and publishing, newspapers, etc	6,876	8,359	1,483				
Chemicals, n. e. c	2,152	3,225	1,073				
Structural and ornamental metal work	1,973	2,977	1,004				
Glass	1,526	2,444	918				
Motor-vehicle bodies and parts	2,170	3,048	878				
Petroleum refining	8,133	8,858	725				
Men's clothing	[1] 5,759	[3] 6,404	[3] 645				
Pottery	1,068	1,568	500				
Knit goods	1,834	2,290	456				
Steel works and rolling mills	6,616	7,055	439				
Paper	1,763	2,181	418				

[1] Indicates that the actual employment figure or actual change is less than the indicated number.
[2] Withheld to avoid disclosure.
[3] Indicates that the actual employment figure or actual change is greater than the indicated number.
[4] Indicates an approximate employment change, when employment for 1929 and 1937 is given approximately.

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

THURSDAY, SEPTEMBER 27, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell, presiding.

Present: Senators Tunnell, Ellender, Guffey, Johnston, La Follette, Aiken, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The hearing will please come to order.

Mrs. Peterson, you had some witnesses, you said?

Mrs. PETERSON. I want to introduce Mr. Charles Ervin who is taking care of the witnesses for the CIO.

Mr. ERVIN. Mr. Chairman, I am here for the Congress of Industrial Organizations. I thought that you would like to hear from some of the workers in the shops—after having heard from the experts—whose future and whose present is very much tied up in this bill.

Without making any comments I will introduce as the first witness Mr. Burke of Lebanon.

Senator TUNNELL. All right, Mr. Burke.

Mr. ERVIN. Mr. Burke is right here. Mr. Burke has been 5½ years in the Army. He volunteered when the President issued his defense program. He has come back to work in the shop, and he will tell you just what his experience has been and why he desires you to pass this measure.

TESTIMONY OF CHARLES C. BURKE, AMALGAMATED CLOTHING WORKERS, LEBANON, PA.

Senator TUNNELL. Give your name and your residence, Mr. Burke, and where you work.

Mr. BURKE. My name is Charles C. Burke. I am from Lebanon, Pa., and I work in the Lustberg, Nast & Co. clothing company, as a spreader on mackinaws.

Senator TUNNELL. Where did you work before that when you were working, or did not you work before you went in the Army?

Mr. BURKE. I went to work 2 weeks after I came out of the Army. I worked in a garment factory, the Frackville Manufacturing Co., for 6 months also as a spreader.

Senator TUNNELL. How old are you?

Mr. BURKE. 27, sir.

Senator TUNNELL. You are a little older than I thought. I wanted to get you back to your youth. Now, tell us about your experience. What does a spreader do?

Mr. BURKE. Well, he fixes the edges and sees that all the wrinkles in the cloth are straightened out, and if there are any defects in the cloth we cut them out also.

Senator TUNNELL. You take out the wrinkles, is that it?

Mr. BURKE. Yes, sir. Frackville is a non-union company and they paid me 50 cents an hour for 6 months, and they promised me the second month that I would have a 5-cent raise. I am a married man, and I think I should be making more, because as a married man I can't live on $20 a week.

Senator TUNNELL. Are you saving any money?

Mr. BURKE. No, sir. It costs me $12.80 a week for room and board.

Senator TUNNELL. How do you figure that? Why do you say $12.80 instead of $12.90 or $12.75?

Mr. BURKE. Well, my rent is $7 a week. That is for one room. We have one meal at the place where we stay for which they charge us 40 cents a meal. That is for my wife and me.

Senator TUNNELL. You board; is that it?

Mr. BURKE. Yes, sir; that is, just one meal.

Senator TUNNELL. 40 cents for each one of you?

Mr. BURKE. Yes, sir; that is right.

Senator TUNNELL. That is $2.80 each a week for one meal.

Mr. BURKE. Yes, sir. Then, on Sundays they charge us 50 cents apiece.

Senator TUNNELL. That is $2.90 each then. You pay $7 rent?

Mr. BURKE. Yes, sir.

Senator TUNNELL. That is a week, is it?

Mr. BURKE. Yes, sir; that is right.

Senator TUNNELL. So that is $12.80 a week. Do you have any children?

Mr. BURKE. No, sir.

Senator TUNNELL. All right. Now, how do you get your other two meals a day

Mr. BURKE. Well, Saturday morning, when we are not working in the factory we work around the house, and we have two meals there sometimes during the week.

Senator TUNNELL. You have two meals?

Mr. BURKE. During the week. That is mostly on a Saturday, like we have Saturday dinner and Saturday supper.

Senator TUNNELL. You said it cost you $12.80. I was wondering whether you got the 14 meals for $3.

Mr. BURKE. No, sir.

Senator TUNNELL. That is what I thought. Do you mean your wife cooks the other 14 meals or prepares them?

Mr. BURKE. No, sir; because we just have the bedroom. I am not making enough money to go into housekeeping.

Senator TUNNELL. I see.

Tell us about how you do get these other 14 meals. Do you buy them?

Mr. BURKE. Yes; with what money we have and can scrape together, we buy them.

Senator TUNNELL. Don't you have the other 14 meals? Don't you eat?

Mr. BURKE. Yes, sir. Not like we should, though.

Senator TUNNELL. I can believe that. When you get 14 meals for $3 I don't suppose you do get so much, but I am trying to find out what arrangements you make about that. Do you go to a restaurant?

Mr. BURKE. Yes, sir; sometimes we go to restaurants. When I work five days a week we have our lunch.

Senator TUNNELL. How do you get the lunch?

Mr. BURKE. We buy it.

Senator TUNNELL. How do you pay?

Mr. BURKE. Well, sometimes we get lunch meat.

Senator TUNNELL. You do what?

Mr. BURKE. Sometimes we get lunch meat for the week.

Senator TUNNELL. What does that mean?

Mr. BURKE. Well, that costs something, sir.

Senator TUNNELL. What does it cost?

Mr. BURKE. Well, I don't know the exact amount.

Senator TUNNELL. Can't you give us some idea about these 14 meals?

You said it cost you $12.80 a week to get a room and 7 meals. Now, then, I am trying to find out from you how, with the other $3 you get 14 meals.

Mr. BURKE. Well, we don't eat 14 meals at the place where we rent.

Senator TUNNELL. I don't care where you get it. You must get it somewhere or else you don't eat, one or the other. That is 28 meals for the two of you, is it not?

Mr. BURKE. Yes, sir.

Senator TUNNELL. For $3.

Mr. BURKE. Yes.

Senator TUNNELL. Is there any place where you can get a 12-cent meal?

Mr. BURKE. Not now, sir; you can't.

Senator TUNNELL. "Now" is when you are hungry, isn't it?

Mr. BURKE. Yes; but sometimes I don't feel like eating. I am thinking of the wages I am getting. A man don't feel like eating when he worries about that very often.

Senator TUNNELL. How much does your wage amount to a week?

Mr. BURKE. Well, at 50 cents an hour, that is $20 a week.

Senator AIKEN. May I ask him if his wife works, too?

Mr. BURKE. Yes, sir; she works.

Senator AIKEN. You get $20 a week; what does she get?

Mr. BURKE. Oh, she gets around—40 cents an hour where she is working now.

Senator AIKEN. For how many hours?

Mr. BURKE. For 40 hours.

Senator AIKEN. That is $16 a week that she gets.

Mr. BURKE. Yes, sir.

Senator AIKEN. Out of that comes your social security?

Mr. BURKE. Yes, sir; and taxes.

Senator AIKEN. That amounts to 2½ cents now, I suppose. Are there any other deductions from your pay check?

Mr. BURKE. We can't take out bonds because we are not making enough.

Senator AIKEN. Do you get any meals at the plant or the mill where you work?

Mr. BURKE. No, sir; we don't.

Senator AIKEN. You get them all outside?
Mr. BURKE. Yes, sir; we carry our lunch.
Senator AIKEN. Your wife does not cook?
Mr. BURKE. No, sir.
Senator AIKEN. Do you get them from restaurants, or the neighbors—or where do you get them? That is what the chairman has been asking.
Senator TUNNELL. Yes; that is what I was trying to find out.
Mr. BURKE. As I was saying, we have supper there, and sometimes on Saturdays we have two meals. Well, during the week she charges us 40 cents each.
Senator AIKEN. 40 cents a meal?
Mr. BURKE. Yes.
Senator AIKEN. And on Sundays you pay more?
Mr. BURKE. On Sundays, sometimes, if we are around, we stay there for dinner, and she charges us 50 cents each on Sunday.
Senator AIKEN. What is the city you are from?
Mr. BURKE. Lebanon, Pa., sir.
Senator AIKEN. You buy your meals outside, then?
Mr. BURKE. Yes, sir; the rest of them. At noontimes in the factory we have a packed lunch.
Senator AIKEN. A factory lunch?
Mr. BURKE. No; a packed lunch.
Senator AIKEN. That you carry?
Mr. BURKE. Yes, sir.
Senator AIKEN. Where do you get that? At restaurants?
Mr. BURKE. No, sir; we go to the grocery store and buy lunch meat, something like that.
Senator AIKEN. That is what you mean by lunch meat?
Mr. BURKE. Yes.
Senator AIKEN. That would be canned, deviled ham, corned beef, something of that kind?
Mr. BURKE. No; we get Lebanon bologna; something like that.
Senator AIKEN. The two of you have $36 a week, less your social security and insurance taxes?
Mr. BURKE. Yes, sir; I have my Army insurance to worry about, too. That amounts up to $6 or $7 a month.
Senator AIKEN. You have recently been discharged from the Army?
Mr. BURKE. Yes, sir.
Senator AIKEN. How long ago?
Mr. BURKE. About 6 months, sir. I got out last November.
Senator AIKEN. How long were you in the Army?
Mr. BURKE. Five years and—let me see—I think it is around 3 months, something like that. Or a little more, I guess.
Senator AIKEN. How long have you been married?
Mr. BURKE. Well, we got married on January 27.
Senator AIKEN. Of this year?
Mr. BURKE. Yes, sir.
Senator AIKEN. That is all I have.
Senator ELLENDER. What kind of a room do you get for $7 per week?
Mr. BURKE. Well, it is a very small room, sir.
Senator ELLENDER. Is it heated for the wintertime?

Mr. BURKE. No, sir; we have no heat up there.
Senator ELLENDER. How do you provide for that?
Mr. BURKE. Well, we go downstairs. This lady where we rent, she has us come downstairs, you know.
Senator ELLENDER. Is it a home occupied by someone else in which you live?
Mr. BURKE. Yes, sir.
Senator ELLENDER. What conveniences have you with the room?
Mr. BURKE. Well, the bathroom we can use.
Senator AIKEN. But you get by on $36 a week as long as both of you work?
Mr. BURKE. Yes, sir, but my wife is not able to work all the time, sir; her nerves are bad.
Senator AIKEN. Suppose you earned $30 a week yourself, would your wife have to work?
Mr. BURKE. No, sir.
Senator AIKEN. Would you find a way to get by?
Mr. BURKE. Yes, sir; I could manage to get by on that.
Senator AIKEN. But you could not get by on what you earn alone, say, $20?
Mr. BURKE. Yes, sir; that is right.
Senator TUNNELL. Now, then, you were starting in to tell us what you did with the rest. As I figure it, there is $23.20 a week if you both work, that is still left. Now, how much does it take for the other 28 meals?
Mr. BURKE. Where do you get 28 meals from, sir?
Senator TUNNELL. That is what I am trying to find out from you.
Mr. BURKE. I did not say 28 meals—I don't believe I did.
Senator TUNNELL. Well, there are 7 days. Don't you count three meals a day?
Mr. BURKE. No, sir; I said one meal a day, which is just supper.
Senator TUNNELL. You mean you don't eat but one meal a day?
Mr. BURKE. Well, that is, in this place where we are staying.
Senator TUNNELL. I am just trying to get the facts. If you do eat more than one meal a day, say so.
Mr. BURKE. Yes, sir; we have three meals a day, but I am saying in this place where we rent we have one meal and the other two we eat out.
Senator TUNNELL. You mean you pay 40 cents for that meal except for one day and then you pay 50 cents?
Mr. BURKE. Yes, sir; that is on Sunday.
Senator TUNNELL. Your wife has to pay just as much, doesn't she?
Mr. BURKE. Yes, sir.
Senator TUNNELL. Well, that is $5.80 a week for that one meal each. Now, as I figure it there must be 28 more meals? What does your lunch cost?
Mr. BURKE. I don't know.
Senator TUNNELL. Why is it you don't know? Does your wife buy it?
Mr. BURKE. I don't pay no attention to food. When I want food I go out and buy it. The price don't bother me.
Senator TUNNELL. The price doesn't bother you?
Mr. BURKE. No.

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Senator TUNNELL. I don't know why it doesn't. It would bother me. Who is the cashier in your family?

Mr. BURKE. Well, we both are, sir, my wife and I.

Senator TUNNELL. But you say you don't pay any attention to it.

Mr. BURKE. Well, once in a while I go to the store, and then she goes once in a while. I mean everything is divided equally between us.

Senator AIKEN. Have you saved any money since you married?

Mr. BURKE. No.

Senator AIKEN. Have you got any war bonds?

Mr. BURKE. No, sir; I can't buy War bonds on $20 a week, sir.

Senator AIKEN. Have you run into debt since January?

Mr. BURKE. Well, we are paying on some furniture, sir.

Senator AIKEN. Paying on what?

Mr. BURKE. Paying on furniture. We are ready to go to housekeeping.

Senator AIKEN. But you haven't any place to put the furniture yet?

Mr. BURKE. We haven't finished paying for it, sir. You can't do it on that.

Senator GUFFEY. Mr. Burke, what does the lunch cost you when you go to the grocery store?

Do you spend 15, 20, or 25 cents on the average?

Mr. BURKE. Our whole supply for the week may run up to $2 or more.

Senator GUFFEY. That is about 12 lunches for $2?

Mr. BURKE. Yes, sir.

Senator GUFFEY. Your wife buys her own lunch, according to this. That is a joint arrangement?

Mr. BURKE. Yes, sir.

Senator TUNNELL. I have never found any woman who could not eat.

Mr. BURKE. My wife eats, sir. She never did suffer for lack of food.

Senator TUNNELL. How is that?

Mr. BURKE. My wife eats, the same as I do.

Senator TUNNELL. That is for one meal and a room, it amounts to $12.80, one meal for each of you.

Mr. BURKE. Yes, sir.

Senator AIKEN. What would a flat cost in Lebanon, provided you had three rooms, including a kitchen?

Mr. BURKE. I would say around $35 to $52. That is if they are empty, you know, and you have to furnish them yourself.

Senator AIKEN. That is what it would cost you if you had a place to live where you would like to live?

Mr. BURKE. Yes, sir.

Senator AIKEN. Is that unfurnished?

Mr. BURKE. Yes, sir.

Senator AIKEN. You would have to furnish it?

Mr. BURKE. Yes, sir.

Senator TUNNELL. Does anybody else have any questions?

Senator GUFFEY. What does your plant make? Does it make clothes, suits, or women's garments?

Mr. BURKE. Mackinaws.

Senator GUFFEY. Mackinaws?

Mr. BURKE. Yes, sir.

Senator GUFFEY. You spread this cloth out to get the wrinkles out so the machine will cut them all the same size?

Mr. Burke. Yes. Or if there is any defect in the cloth, like holes or spots in there, we see that they are cut out.

Senator TUNNELL. All right. Thank you. I hope the next witness will have his figures a little better.

Mrs. PETERSON. May I interrupt just a minute?

I wonder if he can tell about the main point he wanted to make? I don't think he has quite had a chance.

Mr. BURKE. No.

Mrs. PETERSON. Would you mind just summarizing it?

May he just summarize what he told us in a couple of sentences?

Senator TUNNELL. You tell us your story, if you have one. I don't seem to be able to find it.

Mr. BURKE. Well, sir, I spent 5 years and 3 months in the Army and when I came back the best job I could get in my town paid only 50 cents. I was overseas 22 months, in which time I was in action.

Senator TUNNELL. Well, you were not married then, so the cost of living did not have anything to do with it, did it?

Mr. BURKE. No, sir; that is right. But over there we got news from the papers, which were 2 months old or more, that the people back here were riding around in horses and buggies. When I got back to the States I saw more cars on the streets, but when I went to get a job, the only job I could get was at 50 cents an hour, that is the highest wage there was. Well, we went over there to fight, and I think the Government and the people of the United States did a very fine job in supplying us with the ammunition and stuff over there to win the war and win the peace. I think everybody should stick together and work together now, too. We boys don't expect much when we come back. We just want a good paying job and a good place to live, but you can't do it on 50 cents an hour.

Senator TUNNELL. How much do you think it would take for you?

You say you don't pay much attention. Maybe you don't know. Do you know?

Mr. BURKE. No, sir; I never bothered to figure it out.

Senator TUNNELL. Never bothered to figure it out?

Mr. BURKE. No.

Senator TUNNELL. Is that all you want to say?

Mr. BURKE. Yes.

Senator ELLENDER. What is the most you ever received per hour?

Mr. BURKE. 50 cents, sir.

Senator ELLENDER. Is that the same rate that you had before you went to war or less?

Mr. BURKE. Well, I got less, because I went in the service in 1939 as a volunteer; I enlisted of my own accord, thinking I would be helping my country out by enlisting.

Senator ELLENDER. Were you employed at the same place before the war as where you are now employed?

Mr. BURKE. No, sir; I was not.

Senator ELLENDER. You were getting less than 50 cents before you went to war?

Mr. BURKE. Yes, sir.

Senator ELLENDER. What was it?

Mr. BURKE. Well, I don't know, sir; I can't remember very well now.

Senator ELLENDER. That is all.

Senator TUNNELL. All right. Thank you.

Mr. ERVIN. The next witness is Mrs. Frances Garcia, of New York City, who holds a highly skilled position in the Western Union. Her husband is still in the Army in Germany. He was also a volunteer. He has been in the Army 5½ years. She is a mother of a child not quite 2 years old, and she will tell you her experiences and what her desires are on this measure.

Senator ELLENDER. Mr. Chairman, at this point, could we find out who the gentleman is who is introducing these witnesses, and what is his background?

Senator TUNNELL. What is your name?

Mr. ERVIN. I am Charles W. Ervin, public relations counsel for the Textile Workers Union of America, the Amalgamated Clothing Workers and for other organizations affiliated with the CIO.

Senator ELLENDER. Thank you.

TESTIMONY OF MRS. FRANCES GARCIA, AMERICAN COMMUNICATIONS ASSOCIATION, NEW YORK, N. Y.

Senator TUNNELL. I did not catch your name.

Mrs. GARCIA. My name is Frances Garcia. I am 24 years old and I have been married 3½ years; and I have a child, a baby girl of 21 months. I work for Western Union, and I am considered highly skilled in my field. I am in one of the key positions of Western Union. Without me and others like me there would not be a Western Union.

Senator TUNNELL. What do you do?

Mrs. GARCIA. I am an automatic operator. I send over 100 messages an hour under conditions which are not too good, for one reason. They have lots of noise, tension, mental strain, because you have to send messages and concentrate all the time, and there is no air-conditioning. Well, it just isn't good for someone that is working in a place where you need some kind of decent air. You see they pay so little that they can't get much help, and naturally we have to work harder.

Senator LAFOLLETTE. How long have you been doing this work?

Mrs. GARCIA. I have been working there 3½ years, and I have been getting 60 cents an hour, but only for 2½ years, that is, during the wartime when there were sky-high prices, but we are still getting 60 cents an hour.

Now, I have a baby girl that I would like to bring up to the best of my ability. With the help of the allotment I get, which is $80 a month, I have to contribute that to my mother who is helping me take care of my baby. She doesn't get much, if anything, from my dad; so, I am really supporting my mother, my child and myself on $21 a week take-home pay, and the $80 allotment that I give her completely for room and board and for the services she renders for my child. She can't work, and that is the reason I feel she should get the $80 a month, and sometimes more, in fact, if I can afford it. Sometimes I work a little overtime and bring home a little more, but I do not work overtime all the time because I have to come home and help with the clothes, wash clothes, my baby's clothes, my own, and so on, and so forth. So, I can't put much overtime in, but when I can I do, which is very rarely.

The reason I say I take home $21 a week is because so many people have bought bonds and tried to help the United States, so I felt ashamed that I could not buy a bond, so I tried and I bought a $4 a week bond, but to my regret, once in a while I find expenses are too high, I have to live, so I have to cash in a bond. I don't like to do that. I do want to save for the future.

My husband, when he comes home, I want a home and I want to be able to stay home and take care of my baby in my own way. I hate to see her being taken care of by other people. When my husband comes home I certainly would not like to see him work for 50 cents an hour, and I have to work also and help him along, and then not be able to take care of my baby in the proper manner to get the mother's care that she needs. I'm tired of not taking care of my baby.

Senator TUNNELL. Do you get an allotment from your husband?

Mrs. GARCIA. That is what I say. I give that allotment to my mother for the care of the baby. It is very hard for me, because I have to be presentable when I work; I have to have a nice appearance. I can't go sloppily dressed to the office, so naturally it costs me money for tailor bills and clothes, of which I get very little because I have to clothe the baby as well, and things are very expensive. For instance, I could buy a dress for $2 in prewar times, and it is $4 now. It is just double for everything I get for me and for my little girl. It is hard, because I have to eat out.

Now, you say, well, maybe I could live on $80 a month and stay home. No; it is impossible. It is not possible in a big city where you have to pay more money. I know of a woman who is staying home on her $80 allotment and she does not buy any clothes, she does not buy any shoes, she stays at home, and all she does is take care of her baby in one little room, and it is very, very hard for her to live. Naturally, if I work and can be able to make a little more money, I do so because it helps us to live a little more decently.

Senator TUNNELL. Do you rent a house?

Mrs. GARCIA. I live with my mother and my father. I give my mother the $80 to take care of me, and my baby while I work. But she doesn't do it all the time. By that I mean when I come home in the evening it is my duty to take care of my baby and myself, and it is hard, because after I work and come home I have to wash her clothes, give her a bath, give her supper and put her to bed, which is the regular routine. Well, it is not easy, sir, and 60 cents is really very little, and especially during wartime when they were paying such high prices for telegraph operators, and here we had to work for 60 cents an hour.

I am not the only girl there. There are many girls in Western Union working for 60 cents an hour who deserve much more, because we do a lot of work and it is vital to Western Union. We should get more than 60 cents. Even 65 cents an hour is too little to live on in the city where I am from, because the prices are too high.

Senator LA FOLLETTE. What does your family pay for rent?

Mrs. GARCIA. I pay $80 a month. That includes rent, room and board, and the care of my baby, but there are other expenses. If I bring home $21, $10 you consider for lunch money, carfare and incidentals at work, and not any recreation, which I am sorry to

say—I am a young girl; I am entitled to a movie occasionally and a dance, but I can't do that now. You can figure $10 approximately for going to work, which includes clothes, tailor bills, and so on. Then there are all the expenses for the baby, which are $3 a week for her clothes and care, and then I get her cod-liver oil and that costs about 69 cents for a small bottle, and it doesn't last very long.

Then, you have to figure out of the $21, sometimes she needs furniture. When I had the baby I had to get a crib and a dresser, and so on. I did not have the cash at the time, so I borrowed from the bank $200 to buy the crib and her necessary things when she was born. That is what I am paying off now, $3.75 a week, to the bank.

Senator AIKEN. For how long?

Mrs. GARCIA. For a whole year. In November I will be through.

Senator AIKEN. For a year?

Mrs. GARCIA. Yes, sir; for a whole year I have been paying $3.75 a week back to the bank. That is the First National Bank of America.

Senator AIKEN. You borrowed $200?

Mrs. GARCIA. Yes, sir. Sir, are there any questions? I want to tell you my story, but I figure maybe if you can ask me some questions I can tell you fully what might be doubtful in your minds, as to what I spend. Maybe you want to ask me if I save any money. Well, sir, I try to, but I could not save any money either.

Senator TUNNELL. You say you bought some bonds?

Mrs. GARCIA. That is right. I only hoped I could save those bonds, but I can't; I have to cash them in. Sometimes my husband even sends me extra money, and that goes right away for clothes for the baby. You would be surprised how much bigger she gets every month, and I have to buy her shoes; every 2 months I have to buy her new pairs of shoes. Well—shall I tell you—well, her feet grow, and then she wets her shoes all the time and they get bad, and every 2 months I have to get a new pair, and that costs money; that costs about $4 to get her a good shoe, a half-way decent pair of shoes. I could get a cheaper shoe made out of paper, which would last about a month.

Senator AIKEN. What did your husband do before he went into the service?

Mrs. GARCIA. He was a butcher; he worked for the United Dressed Beef Co.

Senator AIKEN. Is he going back there to work when he comes out of the service?

Mrs. GARCIA. That is a question. I don't know. At the present time I don't know if he will get the same job that he had. He does not want to be a butcher, because he is an electrician really; that is his trade, an electrician, and he would like to go to school nights and be able to take the advantage offered by the GI bill of rights and study so he can have a better job. Also we want more babies; we just don't want to stop with one child; we want a couple of children. Why, I really want to be a mother. Maybe some day I will go back to work, but in the meantime I want to stay home and take care of my own children in my own way, not with any interference from anybody else.

Senator AIKEN. How much do you think he will have to earn in order to permit you to stay home with the children?

Mrs. GARCIA. I think he should get at least 78 cents an hour, which would amount to about $40 a week. Then, he could go to school nights. He would not have to work 50 and 60 hours a week to bring home a decent wage, so he can't go to school nights and he can't better himself, which we both want so very much. I could go to work and help him, but that would not be giving the baby the care that she needs.

Like this man who spoke to you before me, he and his wife have both got to work to make a livelihood. They want children, too. How can they make it on $30 a week between them, or $36 or even $40 a week? They can't have children, and if they do the child can't have the care she needs for when she grows up.

They talk about juvenile delinquency. That is what brings it on. If the two parents have to work in the family the little children run around loose, they are taken care of by inexperienced people that do not know the first thing about how to bring up children. It is hard. A married couple cannot work and have children and be able to live decently like you are supposed to in the United States of America. And that is true all over the country.

I am not smart, sir. I don't claim to be a college graduate. I am a high-school graduate, but I know I have lived for 5 years through a war and it has been hard for me and women like me who have waited for their husbands, sweethearts and sons to come home, and it has been hard for everyone.

It is only fair, it is real decent that someone like yourselves should consider a bill like this. Sixty-five cents is really small; it should not be even debated. I don't know why it is, because it is hard to live on it—I don't care where you live—anywhere in the United States. If you want a family and children to be brought up decently and properly, the only way you can do it is by giving a decent wage.

Senator TUNNELL. If your husband were home and was getting a 65-cent minimum and you were not working, you would not be as well off as you are now, would you?

Mrs. GARCIA. That is right, sir; but when you consider 65 cents, maybe he could get a raise later on and get more. The 65 cents, as I say, is too little really, but he can get more money—if they pay 65 cents, he could probably get 75 cents and probably work his way up to get 85 cents so we can live decently and plan on a home and food and have more children—live like a man and woman should. I think this country is wonderful. I love my country; I am proud of it, and I would never do anything to mar it in any way, and if I can bring up my children decently, that is all I want.

Senator TUNNELL. All right; thank you.

Mr. ERVIN. The next witness is Winifred Burr, who has a highly skilled occupation in New York City in the American Safety Razor Co. She is the sole support of her mother, 92 years of age, and she will tell her own story.

TESTIMONY OF MRS. WINIFRED BURR, UNITED ELECTRICAL WORKERS, BROOKLYN, N. Y.

Senator TUNNELL. Give your name and residence.

Mrs. BURR. Winifred Burr, 783 Bedford Avenue, Brooklyn, N. Y.

Senator TUNNELL. Go ahead and please speak so we can hear you. Tell your story as to your method of living.

Mrs. BURR. Well, I pay $38 a month. I get 58 cents an hour as my take-home pay. I also try to buy bonds and keep them as long as possible. I had to sell insurance policies in order to live. Now, I am working 45 hours a week. When my bond is taken out, my taxes and social-security money, I bring home exactly $21.67 a week. That is a week. That is hard. My mother needs medical care, she needs medicine; she has a heart condition, and I have just been borrowing here and there to live.

Senator TUNNELL. A little slower, and a little louder, please.

Mrs. BURR. I have been borrowing everywhere to try to keep up. People have said to me during the war, "Why don't you go out and make big money in the war plants?" My answer was that it wasn't so easy at my age. I have gathered a lot of seniority in the plant I am in, and I don't think I should give up that job, because when the lay-offs came along I was able to hold on to my job because of my seniority, and I feel, at my age, I could not get a position any place else.

I have put up with those conditions figuring probably after the war the boys would come home and the conditions would change and get better, and we would get better living wages. I see there has been nothing done about it.

It is a very hard job. My job is a very hard job. Some sort of bookkeeping goes along with it. We make razor blades; we also make shaving brushes. In my department they make shaving brushes. In that department they have about 16 or 17 and maybe some days we have 21 different numbers of these brushes, and on these brushes we have to mark down every reject and what was the matter with them. With that job goes along a bookkeeping system. When it leaves our hands it goes to the packers and goes out to be shipped, and we are responsible for everything that goes out of that building, so it is a responsible job.

The wages I get are 58 cents an hour. I think that is too small for anybody to take home today, with living conditions as they are.

As to the food and clothing, I don't get much of that. I do the best I can, because my mother needs a lot of medical attention. She has heart attacks every once in a while and we have to have a doctor, medicine, and so forth.

Senator TUNNELL. Are you married?

Mrs. BURR. I am a widow.

Senator TUNNELL. No children?

Mrs. BURR. I have one daughter married.

Senator TUNNELL. Do you rent a home?

Mrs. BURR. Yes, sir.

Senator TUNNELL. What rent do you pay?

Mrs. BURR. $38 a month.

Senator TUNNELL. How many rooms in your home?

Mrs. BURR. I have five rooms.

Senator TUNNELL. That is an apartment, is it, or a house?

Mrs. BURR. That is right, a flat.

Senator TUNNELL. Is it on the first floor?

Mrs. BURR. No, sir; it is on the top floor.

Senator TUNNELL. How high is that?

Mrs. BURR. That is two flights up.

Senator GUFFEY. A walk-up apartment?

Mrs. BURR. Walk-up is right.

Senator TUNNELL. You say you have borrowed about as far as you can borrow?

Mrs. BURR. That is right. Then, I sell an insurance policy to pay it back. It is robbing Peter to pay Paul all the time.

Senator TUNNELL. Do you ever get him paid up?

Mrs. BURR. I try to do the best I can. I know the next time, if I don't get him paid I can't go back and get more.

Senator TUNNELL. You find with 58 cents an hour you are not able to pay for your living expenses?

Mrs. BURR. That is right.

Senator TUNNELL. You are living as economically as you can?

Mrs. BURR. That is right.

Senator TUNNELL. Are there any questions?

Senator ELLENDER. How long have you been obtaining this 58 cents?

Mrs. BURR. The 58 cents we have only gotten now since 1944.

Senator ELLENDER. What did you get before that?

Mrs. BURR. 50 cents an hour.

Senator ELLENDER. Did I understand you to say you are working 45 hours a week?

Mrs. BURR. That is right.

Senator ELLENDER. At 58 cents, that would make $26.10, and your take-home pay is what?

Mrs. BURR. $21.67.

Senator ELLENDER. What do they retain the difference for?

Mrs. BURR. Well, I have a bond taken out every week.

Senator ELLENDER. That goes toward paying for a bond?

Mrs. BURR. That goes for paying for a bond and my social security and taxes.

Senator ELLENDER. What size bond does that take care of?

Mrs. BURR. That $3.50 a week bond.

Senator ELLENDER. $3.50 a week?

Mrs. BURR. That is right.

Senator ELLENDER. That would be $14 a month.

Mrs. BURR. That is right.

Senator ELLENDER. Thank you.

Senator GUFFEY. How many hours a day do you work?

Mrs. BURR. I work 9 hours a day.

Senator GUFFEY. How many days?

Mrs. BURR. 5 days a week.

Senator GUFFEY. 45 hours?

Mrs. BURR. That is right.

Senator GUFFEY. If you got 75 cents an hour for those long hours, would that give you a sufficient income?

Mrs. BURR. With those hours?

Senator GUFFEY. 9 hours a day at 75 cents an hour.

Mrs. BURR. That is right.

Senator GUFFEY. 8 hours a day for 5 days is 40 hours a week, and at 75 cents an hour, that would be $30 a week.

Mrs. BURR. That is right. It would not be much help with conditions the way they are and the rent I pay, and the gas and electricity.

Senator GUFFEY. It would help some?

Mrs. BURR. It would help some.

Senator ELLENDER. Don't you get time and a half for the extra hour you work?

Mrs. BURR. Yes.

Senator ELLENDER. In other words, you get 87 cents for that extra hour..

Mrs. BURR. That is right.

Senator TUNNELL. If there are no further questions, thank you, Mrs. Burr.

Mr. ERVIN. The next withness is a mother of eight children. She has worked in the same factory for about 13 years, a canning factory in Traverse City, Mich., Mrs. Bellows. She will tell her own story.

TESTIMONY OF MRS. GLADYS BELLOWS, FOOD, TOBACCO, AGRICULTURAL AND ALLIED WORKERS UNION OF AMERICA, TRAVERSE CITY, MICH.

Senator TUNNELL. Give your name and address to the stenographer.

Mrs. BELLOWS. My name is Gladys Bellows. I am from Traverse City, Mich. I work at the Cherry Growers, Inc., cannery. I have been there for 13 years.

When I started working nights, which I had to do because we just could not make ends meet with our eight children, I got 20 cents an hour, and gradually they brought the wages up until we got 30 cents and overtime. We asked for a raise, and they said, "Well, if we give you a raise we have to discontinue operations. We can't pay it." But somehow they managed to muddle through.

We got 40 cents an hour when the 40-cent minimum went through, and when the union came in and organized, we got 50 cents an hour. Now, we work any number of hours that they ask us to. Three years ago, on peaches, we worked 91 hours, and some of the girls became exhausted, hysterical, and although I was used to working and had been pretty steady at it, they had to take me home. I had to stay home 4 hours because I was worn out, because after I got home I had washing, ironing, baking, scrubbing, and everything to do myself. My girls went to school. They did what they could, but that is not much, because school children have to have their rest, they have got their homework to do.

Senator AIKEN. Who owns Cherry Growers, Inc?

Mrs. BELLOWS. It is a farmers' cooperative, so you know as much as I do about who owns it, because they do not tell us the different members, they are afraid we might get to them sometime.

Senator TUNNELL. Do you can all the year round?

Mrs. BELLOWS. Up to last year, it was only a seasonal operation. Cherries were their main pack. Then they took on the peach pack, and last year we had a corn pack. They put that through a frozen process, quick-freeze. Then a year ago they put in a dehydrating plant, and since that time we have worked almost the year round.

From 9 to 14 weeks off was about what the older girls would get. I have accumulated quite a great deal of seniority, and if there was any work I was able to get it, but due to the fact that they were allowed 28 weeks exemption on their work, we did not get time and a half. They were allowed to work us as many hours as the law would permit without any overtime. They always said they could not pay overtime and operate, but this last year for everything over 40 hours we got time and a half, we worked 8 hours a day 6 days a week, and the plant is still flourishing paying time and a half, with more people than they ever employed before, and in fact they are building a nice new building right now.

Senator AIKEN. What part of the plant is it that you are talking about now?

Mrs. BELLOWS. Well, they haven't told us the borders; it is just an addition to the rest of the building. I suppose it will be some special processing.

Senator AIKEN. What did you say they are paying?

Mrs. BELLOWS. We get 50 cents an hour.

Senator AIKEN. 50 cents an hour?

Mrs. BELLOWS. Yes.

Senator AIKEN. And time and a half overtime?

Mrs. BELLOWS. Yes, now we do, but only if they don't use the exemption periods, because while the dehydrating plant is running and we do work more time there is no guaranty that the dehydrating plant will work that long, and then our work will not last 28 weeks, for which they have an exemption.

SENATOR AIKEN. What are they dehydrating?

Mrs. BELLOWS. Potatoes. We work under conditions which you cannot call ideal. We are in water all day long, and after we have worked there for a while, it is very common for the girls to have arthritis and neuritis.

Senator AIKEN. How many days a week, and how many weeks do you work?

Mrs. BELLOWS. Well, as I said, this last year I think we have had perhaps 12 weeks. It might be a little more; it might be a little less than that, I don't remember just exactly, because I came in a hurry and I did not bring any finished story with me.

I know how much it costs to raise a family. No one has to theorize for me, I know from experience. We have a son that has been discharged from the Army and he will never be well again.

Senator TUNNELL. You do not mean that literally? You do not know how much it does cost, do you?

Mrs. BELLOWS. I do know how much it costs to raise a family.

Senator TUNNELL. How much?

Mrs. BELLOWS. More than we have.

Senator TUNNELL. It takes more than you have?

Mrs. BELLOWS. Yes.

Senator TUNNELL. Why do you say that?

Mrs. BELLOWS. Well, I will tell you. My husband works at the same plant that I do.

Senator TUNNELL. What does he get?

Mrs. BELLOWS. He gets now—Well, that is another story. He did get 71 cents an hour. They gave him a 5-cent raise. Last Friday he got his first check with the raise, and Saturday they were informed

that their hours have been cut, and now they won't make as much as they did without the raise. They still have to do the same amount of work. It is a speed-up. I don't know what is going to happen. I left before anything had been found out about it.

Senator TUNNELL. How old is your oldest child?

Mrs. BELLOWS. Our oldest child is a girl. She is 26.

Senator TUNNELL. Does she work or is she married?

Mrs. BELLOWS. She is married. Our three girls are married. We have five boys at home. Our next oldest son is crippled; he has been a cripple since he was a baby.

Things were not so bad about 14 years ago, we got so deeply in debt that just as soon as the little one was old enough to leave at night I went to work nights. I worked nights for a long, long time, and came home and did all my own work.

Senator TUNNELL. How old is the youngest boy?

Mrs. BELLOWS. The youngest boy will be 14 in November.

Senator TUNNELL. Are any of the boys working?

Mrs. BELLOWS. Yes; they work. The oldest boy, the one I told you was a returned veteran, he has a job, and he contributes to our budget, but at this time we are paying bills that we ran up from the time when things were so hard and we could not get the bills paid up no matter what we did, but we are just proud enough and determined enough that we want to pay them. We are going to pay them; we are going to pay up every debt. But this last year it has been awfully hard, because the home we live in and have lived in for 25 years we cannot have any longer, the people have to have it themselves.

We went to look for a house to buy, but from $5,000 to $7,000 in the city was more than we could afford to pay, and they were not worth it, so we started to look around, and we found a place in the country. We had to buy the land. Well, that is all right. We were well known; we have lived there all our lives, and we bought the land. Our credit is good, so we went to the lumber company and we got materials to build the house. We got priority because of personal hardship, we had to move and we had no place to go. My husband, besides working 8 or 9 hours a day, is building that house himself from the cellar or from the foundation up. He goes out every night after he gets home and works on that house. He is a good carpenter, and he is a cement finisher; he has worked at all those things.

Senator TUNNELL. What did you have to pay for the land?

Mrs. BELLOWS. We paid $800 for 10 acres. Five of it is clear and the other five woods.

Senator TUNNELL. Did you have to pay anything down on it?

Mrs. BELLOWS. My father and mother loaned us the $100 and our oldest son gave us the other $50. I had some income tax coming back, so we gave that to them to straighten out.

Senator TUNNELL. Did you say you had some income tax coming back?

Mrs. BELLOWS. Yes.

Senator TUNNELL. From where?

Mrs. BELLOWS. Well, I will tell you, sir. My husband claimed all exemptions. We did not know just how it was going to work. When we are working our 48 hours they take $5.50 every week from my check. He doesn't always earn, in fact he very seldom earns as much as he would be allowed with all the exemptions. I knew we were paying more than we should, but that is a darned good way to save $5.50 a week. It goes awfully fast if you have it in your pocket. So we got it back. That is what we depended on for the down payment.

Now, the lumber company let us have all we needed, and they let us pay $10 a week until we get it paid up. We did not have a contract or did not sign a note until we had the down payment made.

Senator TUNNELL. You say they trusted you for the lumber and let you pay $10 a week?

Mrs. BELLOWS. Yes, and now we have signed a note. Two weeks ago we made enough for the down payment, and we signed a note. That has to be paid in a year. We figured our payments out on the land and on the lumber, and we have to pay $64 a month on our lumber and $15 on our land.

Senator TUNNELL. You are getting ahead a little now, aren't you?

Mrs. BELLOWS. We will have a home when we are finished, sir, if we keep on working, but I am almost 45 and I haven't been very well this last year, because you can't work all around the clock and stay well.

Senator TUNNELL. I don't mean you are not entitled to a home; I think you are, and I am glad to hear you say you could get one.

Mrs. BELLOWS. I think we are entitled to it, sir. That son of ours will never get married because he figures he will never be well enough to.

Senator GUFFEY. What is the name of this so-called cooperative?

Mrs. BELLOWS. Cherry Growers, Inc.

Senator GUFFEY. Do you really think the farmers own it or some people in the neighborhood?

Mrs. BELLOWS. I know some farmers own it, because I have some friends that belong to it, but they are such good friends that I do not ask them questions. I don't want to spoil a friendship that has gone back to the time when I was tiny.

Senator ELLENDER. Did your son have difficulty in getting a job since he came from the war?

Mrs. BELLOWS. No. First he went in as a helper in a friend's gas station. Everybody liked him. He had the job until the station closed up. Now, he is working for the city. I think unless something goes very badly wrong, he will continue to work.

Senator ELLENDER. What does he get a week?

Mrs. BELLOWS. I am sorry, I cannot tell you what his wages are. I can tell you a few more things about how much it costs us to live.

Senator TUNNELL. All right.

Mrs. BELLOWS. $25 goes to my grocery store every week for our groceries and milk, and maybe part of it for meat. We pay a small rent at this time, $20 a month, but besides we keep the repairs up on the place; we agreed to do that, and we have done so until now, when we started to build. But even so, my children have had to go without things for so long. My little 14-year boy is facing the prospect of having to have all his teeth pulled because we did not have the money to give him the milk to furnish the calcium that his little body needed when he was a baby. We paid $17 for two of his front teeth 6 months ago, and they crumbled right to pieces because they were not good teeth, there was nothing to furnish him good teeth; he was not getting what he needed.

I figure a 65-cent minimum rate if paid to the women—not for myself but for all of them, because most all cannery workers are women,

who have families and who have gone in to help their husbands—65 cents isn't too much, it is too little. After all, as I heard here yesterday, this is America. Everybody looks to this country for its progress, and we have got to keep reaching ahead all the time. It is only by reaching ahead all the time that we get anywhere. When we stop we are going to roll back down hill.

Senator ELLENDER. You stated you spent $25 each week for groceries.

Mrs. BELLOWS. Yes, sir.

Senator ELLENDER. Can you recall what your grocery bill was before the war? How much more is it now?

Mrs. BELLOWS. How much more was it before the war?

Senator ELLENDER. How much more is it now than before the war?

Mrs. BELLOWS. Well, I really can't say an awful lot about that, because in our family if one of us goes downtown and sees something that they think they would like on the table, we buy it. We don't keep track of that. I do know clothing has gone out of sight, because I can't buy a house dress for anywhere near the money I used to be able to. I used to be able to go to the stores and shop, to Penney's, Montgomery Ward's, and buy a really nice house dress that I could go out on the street in for a dollar. I went down 2 months ago and tried to find a house dress that was nice enough to wear. I wear slacks and coveralls to work in, because you get so dirty there you just can't afford to get a nice dress.

I am one of the older workers and if there is something that needs doing I do it. I have even taken a man's place, closing machines, something like that.

I tried to buy a dress for $4.98, and the dress wasn't a bit better than the dress I could have bought for $1.98 before the war. That is one thing we still have to do; we have to wear clothes. We can go without eating for a couple of days, but we can't go without clothes.

Senator TUNNELL. Speaking of the grocery bill before the war, you have a growing family, you still have a boy 14?

Mrs. BELLOWS. Yes.

Senator TUNNELL. Before the war he was about 10.

Mrs. BELLOWS. Yes.

Senator TUNNELL. I suppose the others were working?

Mrs. BELLOWS. Yes. Our youngest boy will be 14 in November. The next one was 15 last June. They both go to junior high. I am telling you, this year their books cost money.

Senator TUNNELL. Their books?

Mrs. BELLOWS. Yes, we have to pay for their books there, you know, all the books, all the materials, everything has to be paid out of our own money. They do not have any books furnished them.

Senator TUNNELL. In Michigan?

Mrs. BELLOWS. Yes, sir.

Senator GUFFEY. Does that apply to all the schools in Michigan?

Mrs. BELLOWS. Up to the 8th grade they furnish the books, but after junior high you have to buy all the books, everything—nothing is furnished.

Senator ELLENDER. What size town do you live in?

Mrs. BELLOWS. I imagine it is around 16,000.

Senator ELLENDER. How much more do you think it would cost you to maintain yourself and family if you lived in Detroit?

Mrs. BELLOWS. I can't tell you, sir; I never lived in Detroit.

Senator ELLENDER. That is all.

Senator TUNNELL. What larger city is near where you live?

Mrs. BELLOWS. The closest one to us would be Grand Rapids. That is about 140 miles away. We do not have very many industries in our town. That is really considered a resort district up in Michigan. You can't blame them, it is such a beautiful place. That is a plug for my home place.

Senator TUNNELL. Any further questions? If not, thank you, Mrs. Bellows.

(Following is a letter from John J. Riggle, executive secretary, National Council of Farmer Cooperatives, received subsequent to Mrs. Bellows' testimony:)

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington 6, D. C., October 1, 1945.

Hon. GEORGE D. AIKEN,
United States Senate, Washington, D. C.

DEAR SENATOR AIKEN: We have a brief statement from Mr. A. J. Rogers, general manager of Cherry Growers, Inc., located at Traverse City, Mich., relative to the hours worked by Mrs. Gladys Bellows. You will recall that Mrs. Bellows testified September 27 before the subcommittee of the Senate Education and Labor Committee, which is conducting hearings on S. 1349.

Cherry Growers, Inc., is a fruit-growers cooperative association, whose normal operations consist of packing canned and frozen apples, cherries, and peaches. Processing of these perishable products are highly seasonal occupations, requiring occasional long hours of work in the face of inability to spread supplies of perishable ripening fruit and continuing labor shortages, according to Mr. Rogers.

Mr. Rogers further states that Mrs. Gladys Bellow's husband has a good job in the plant of Cherry Growers, Inc., and four of the eight children are dependent on the parents.

Mr. Rogers further states that in a 4-year period, Mrs. Bellows had 1 week each year in excess of 60 working hours as follows:

	Hours
Sept. 3, 1941	87
Sept. 5, 1942	70
July 29, 1943	62½
Aug. 5, 1944	62

Wages, indicated by Mrs. Bellows, to range from 40 to 55 cents per hour for her work, are, according to Mr. Rogers, equal to wages paid by competitive canneries. And, as you know, shortage of labor and war industry wages have established competitive wage rates in any given area for both industry and farming operations.

Sincerely yours,

JOHN J. RIGGLE,
National Council of Farmer Cooperatives.

Mr. ERVIN. The next witness, Mr. Fesser, is a sailor. He has sailed from the Port of Baltimore for 18 years. During this war he sailed in the Atlantic, Pacific, Mediterranean, Indian Ocean, and the Far East, delivering to our allies and to our own troops supplies.

TESTIMONY OF ARNOLD N. FESSER, NATIONAL MARITIME UNION, BALTIMORE, MD.

Senator TUNNELL. Give your name and address, Mr. Fesser.

Mr. FESSER. My name is Arnold N. Fesser.

Senator TUNNELL. How long have you been home?

Mr. FESSER. Since September 5.

Senator TUNNELL. September 5 of this year?

Mr. FESSER. Of this year.

Senator TUNNELL. Are you a native of Baltimore?

Mr. FESSER. No, I was born in Tampa, Fla., but I have been living in Baltimore 18 years or a little over.

Senator TUNNELL. What did you do before the war?

Mr. FESSER. Merchant seaman. I have been doing it since I was a kid.

Senator TUNNELL. Where did you go during the war?

Mr. FESSER. I went to England: I went to Africa——

Senator TUNNELL. What part of Africa?

Mr. FESSER. North Africa. I was in Italy. I was over in the Persian Gulf; I was over in Australia.

Senator TUNNELL. What did you go to the Persian Gulf for?

Mr. FESSER. I went to the Persian Gulf to deliver goods to the United States Army.

Senator TUNNELL. What did you deliver there?

Mr. FESSER. That is a military secret.

Senator TUNNELL. Do you think it is still a military secret after the war?

Mr. FESSER. Well, if I say something about it I have to face the Coast Guard and not to take chances I won't say anything.

Senator TUNNELL. Did any of the ships sink on which you were placed?

Mr. FESSER. I am one of the lucky ones that got through.

Senator TUNNELL. Were you on the same ship all the time?

Mr. FESSER. On different ships every time I would make a voyage, and at the end of the voyage I was paid off. I get 30 days ashore, and in that 30 days I am off, I am home with my family.

Senator TUNNELL. What did you get a month?

Mr. FESSER. We get paid at the rate of $3.66 a day.

Senator TUNNELL. Together with board and lodging?

Mr. FESSER. Yes.

Senator TUNNELL. What are you doing now?

Mr. FESSER. I am on a vacation until the 6th of next month.

Senator TUNNELL. A vacation?

Mr. FESSER. Sure. I am entitled to my 30 days ashore after I was out in Okinawa.

Senator TUNNELL. What are you going to do on the 6th?

Mr. FESSER. Ship out again.

Senator TUNNELL. What do you think about your wages? Aren't they all right?

Mr. FESSER. Well, for me being on the ship, I am all right, but what about my family? I have got a wife and three kids. While I am out I work 8 hours a day 7 days a week. Out of that comes the allotment for my family. I have got to pay the taxes and I have got to work a lot of overtime to make that up.

Senator TUNNELL. How much is your family allowance?

Mr. FESSER. I leave my family $80 a month. Out of that comes rent.

Senator TUNNELL. That is not in addition to your salary, is it?

Mr. FESSER. No.

Senator TUNNELL. Does that come out of the $3.60 a day?

Mr. FESSER. Yes.

Senator TUNNELL. How much do you draw a month, then?

Mr. FESSER. $110 a month. Those are the wages of firemen and oilers.

Senator TUNNELL. After paying the $80, that is?

Mr. FESSER. No. If you want the story of the merchant seamen, we have got good, decent wages, as they are supposed to be, during this wartime; but before the war—and after the war they are coming back to the same thing—I worked for $45 a month, and I worked for $35 a month, and that wasn't so long ago. Out of that I had to take care of my family.

Senator TUNNELL. But you don't have to work for that now, do you?

Mr. FESSER. At the present time, no; but the bonus is coming out and I will be back to the same basic wages that I had before. Now, you tell me how to take care of three kids. I am living all right on the ship, because I get fed; but my family in Baltimore, that is what I have got to worry about, how they are taken care of while I am on ship and they are living on shore.

Senator TUNNELL. You get something like $100, and you keep something for yourself. You have to buy your clothes, don't you?

Mr. FESSER. I have to buy my clothes.

Senator TUNNELL. You send your family what you can out of that, don't you?

Mr. FESSER. That is right.

Senator TUNNELL. Your children are all small, you say?

Mr. FESSER. I have got a girl 18 years old.

Senator TUNNELL. Does she work?

Mr. FESSER. No, she does not work.

Senator TUNNELL. Does she go to school?

Mr. FESSER. She goes to school. I have got a boy 4 years old and I have got a baby 4 months old, a baby girl.

Senator TUNNELL. Does your wife work?

Mr. FESSER. No, she doesn't work.

Senator TUNNELL. Do you pay rent?

Mr. FESSER. I pay rent.

Senator TUNNELL. How much?

Mr. FESSER. $25 a month, and I am lucky at that, because my mother-in-law owns the house.

Senator TUNNELL. Sometimes mothers-in-law are pretty good collectors, aren't they?

Mr. FESSER. Oh, she is a good collector.

Senator TUNNELL. Do you mean your family are not keeping up with their expenses?

Mr. FESSER. They can't.

Senator TUNNELL. What are they doing?

Mr. FESSER. What are they doing?

Senator TUNNELL. Yes. Are they going behind?

Mr. FESSER. Sure, they are going behind.

Senator TUNNELL. Whom do you owe?

Mr. FESSER. At present, we don't owe anyone, because I have seen to that. But I am interested in the wages that I earn to take care of my family. If I can't take care of my family properly, like I want it to be taken care when I come out of a job like now, then I have to worry about going behind. Out of each year I work 8 months, and

the rest of the time I am out in the street, but I have got to take care of my family right on. I don't get unemployment compensation, and if I can't take care of my family properly when bad times come after this war, something has got to be done about it. You don't want me to hold you up to take care of my family because I don't want my children to go hungry. I had enough of going hungry during the depression. My oldest kid would tell me, "Daddy, why don't you get work? I am hungry. You have been walking around all morning, and I don't see no fire; I am hungry." I don't want that to happen no more.

I could have been ashore here in Baltimore making some of the money that the shipyard workers made, but I am a seaman; my place was to carry the goods anywhere in the world where the American soldiers were, and that is what I have done. Right now I can't get out of the merchant marine to look for another job because there are boys still overseas; that is the reason I have got to keep going, until everybody is back home.

Senator TUNNELL. You say you don't get anything now?

Mr. FESSER. No; I don't get anything now.

Senator TUNNELL. You don't get any wages now?

Mr. FESSER. No, sir. Once I get off the ship I don't collect anything until I ship out again in the next 30 days.

Senator TUNNELL. All right. Now——

Senator GUFFEY. In other words, you get paid 8 months out of the year. Is that approximately it?

Mr. FESSER. Yes, when I work.

Senator GUFFEY. That is what I mean. You don't work 12 months. You sign up for a trip, for a voyage?

Mr. FESSER. Yes.

Senator GUFFEY. When you come back you have to sign up for another trip?

Mr. FESSER. I have to sign up for another trip.

Senator TUNNELL. You only get $800 a year at that rate. You say you work 8 months, and you get about $100 a month, or $101 a month.

Mr. FESSER. $110.

Senator TUNNELL. That is $880 a year if you work 8 months.

Mr. FESSER. It has been $110 since the war. Before the war the wages were not that.

Senator TUNNELL. You say you are an oiler?

Mr. FESSER. An oiler, a fireman, and water tender.

Senator TUNNELL. I thought the oilers got more than that.

Mr. FESSLER. Oilers always get $10 or $12 more than the fireman, that is, they used to, but right now the oiler and fireman get the same wages, $110.

Senator TUNNELL. You are paid the regular $110 rate?

Mr. FESSER. Yes.

Senator TUNNELL. And the engineer gets more than the oiler?

Mr. FESSER. Quite naturally. Why should he not? If I was an officer, I would look for higher pay, too.

Senator ELLENDER. You don't seem to be complaining about the present rate you are receiving. Am I correct in that assumption?

Mr. FESSER. What is that?

Senator ELLENDER. I say you do not seem to be complaining about the present rate of pay you are receiving. Am I right in that assumption?

Mr. FESSER. Sure, I have no complaint to make on the rate of pay I get now.

Senator ELLENDER. I understood you to say you get along very well; you don't owe anything, and you are taking care of your family at $110 per month and that you don't want to go back to the $45 a month that prevailed before the war.

Mr. FESSER. Why should I suffer the torture of putting myself in debt through borrowing money when I try to do the best I can?

Senator ELLENDER. I am not asking you to do that.

How much more do you think you should get after the war than you got during the war?

Mr. FESSER. I think I am entitled to—not only me but me and the rest of the fellows that do the same kind of work, we are entitled to at least 75 cents an hour.

Senator ELLENDER. You are paid, you said, $3.60 for 8 hours' work.

Mr. FESSER. $3.66.

Senator ELLENDER. And you get your board aside from that?

Mr. FESSER. I get my board out of that.

Senator ELLENDER. And you say it ought to be at the rate of 75 cents an hour?

Mr. FESSER. That is right.

Senator TUNNELL. What company do you work for?

Mr. FESSER. Well, I have worked for the Bull Line, the Mystic Line, American-South Africa, International Freight Corp., American Foreign Line, Luckenbach, American State Marine; quite a few other companies, I can't remember their names now.

Senator TUNNELL. All right.

Senator ELLENDER. You belong to a union?

Mr. FESSER. I belong to the National Maritime Union.

Senator ELLENDER. Are they satisfied with the pay they are now receiving?

Mr. FESSER. Well, I can't answer that as a whole; I can't answer for somebody else. I am answering for myself.

Senator ELLENDER. Do you know whether or not an effort was made by your union to get more money?

Mr. FESSER. What is that?

Senator ELLENDER. Do you know whether or not your union attempted to get more money than you are now receiving?

Mr. FESSER. Sure, they are making the effort every day.

Senator ELLENDER. And with no success?

Mr. FESSER. So far they got a raise to $45; that begins on October 1, but all the bonus has been cut out.

Senator ELLENDER. When you say "bonus," you mean in addition to the $110 that you are receiving per month?

Mr. FESSER. Yes.

Senator ELLENDER. What does that amount to, do you know?

Mr. FESSER. That amounts to the same thing, $110.

Senator ELLENDER. The bonus is included in the $110?

Mr. FESSER. Yes.

Senator ELLENDER. Now, when you say $110 per month, do you mean only for the 8 months that you work?

Mr. FESSER. Yes.

Senator ELLENDER. Which would make $880 per year that you receive as a worker?

Mr. FESSER. Yes.

Senator ELLENDER. Plus your board.

Mr. FESSER. In some ports you went in you got the same pay, you didn't get no bonus, but just in certain places that you got in.

Senator ELLENDER. That is all.

Senator TUNNELL. All right. Thank you.

Mr. ERVIN. The next witness, members of the committee, is a textile worker from Virginia, Miss Shirley Hall. She will tell you about conditions in the textile industry there and why they want this measure passed.

I call the attention of the Senators to the fact that nobody has asked any questions about the income tax. All the witnesses pay income taxes that come from their wages.

TESTIMONY OF SHIRLEY HALL, TEXTILE WORKERS UNION OF AMERICA, LYNCHBURG, VA.

Senator TUNNELL. Will you give your name to the reporter?

Miss HALL. My name is Shirley Hall. I live at 2363 Carroll Avenue, Lynchburg, Va., and I work in the Consolidated Textile Co.

I am a drill weaver, and that is the hardest job in the weaving room, I should say in the whole mill practically. For the time I have been running the drill I have made more than I made before, which isn't enough. I might sometimes average 63 cents an hour, but if I were my daddy and had several children to support, to take care of, I could not get by. I can't get by, anyway. While it would not be enough to live on, it is high for the mill and high for the area in which I live.

Our wages have been pushed up since the union came in. It has been a constant fight trying to get them up. But I believe minimum wages should be set by law for all people, so that people could have a chance to have a decent wage and a decent life.

I am a pieceworker. All the weavers are pieceworkers. When you are young, when you are just 22, you can get around and make a rate, but every year you work you get a little more stooped, a little more tired, and you can't run around as fast, although your service record gets longer.

Senator TUNNELL. How do you know you are going to earn less all the time?

Miss HALL. By watching others. My daddy has worked in the mill 30 years, and I make more than he does because I get around faster.

Senator TUNNELL. That is what I am getting at. You know that from watching others?

Miss HALL. I know that from the experience of my family and people who work in the mill with me. I am not a better worker than he is; he is far more skilled, it is just that I can move around better, I can see better. It is a constant strain on your eyes to weave. It is hard work. It is not only the mental strain; it is physical labor. You are straining all day long trying to keep the looms running.

Since the union came in, since we got the raise last year in August we talked my mother into quitting work. After all, we have three small children at home. My daddy and I felt it would be better if she stayed home and took care of the children.

Now, I understand our mill is to go back on a 40-hour week next Monday, so that means my mother will, in all probability, have to go back to work, and my little brother and my little sister will have to run around on the streets. I don't like to think about that.

When the war started, when it broke out, my two brothers and I made a bargain. One of my brothers was 20 and the other was not quite 17, but we made a bargain that they would go into the Army and I would stay home and take care of the family. I felt that I should, that if they wanted to fight, well, it was their responsibility, they were young, healthy, strong boys. So I have stayed home and tried to take care of the family, tried to help, and they have been in the Army. My brother is now getting a medical discharge, his nerves are all shot, and my little brother is in the Navy, I don't know where he is, although I have an idea that he is around Tokyo some place. They took out their allotments when they got in. They don't claim a dependency allotment, but one of the brothers sent $25 home and the other brother, when he was on the ship, sent $50. My daddy and I talked it over, and we decided when the war would be over they would probably come home and would want to get married, and we saved the money for them, and so we have been able to bank it every month, but it has been hard to do, and now we are facing the choice of spending my brothers' money that they have sent home all the time that they were in danger or putting my mother back in the mill, because you can't take care of four children, yourself and wife on $26 or $39 a week—it just can't be done.

In Virginia we have to pay for all the schoolbooks from grade school up. You hear talk of the Sunny South, but when it is cold it is just as cold there as any place else, and the rain is just as wet.

I don't want to speak as much for myself and my family as I do for the other families I know of. Our conditions are bad; I know they are, but they are not as bad as in some other families. We live in a cotton-mill village, company-owned and controlled. There is a family that lives on a hill, and I think the father makes 60 cents an hour. He has seven children, the oldest 15, and he is trying his best to keep her in school, and they have a baby about 13 months old. The second girl has rheumatic fever and heart trouble, and they think she will be an invalid the rest of her life. They can't get the proper care for her. They have to go around and take her to charity doctors, they would not take her in a hospital. When the mill gets back on 40 hours, what is going to happen to these people? I am worried about what is going to happen to me and my family, but what about the other families in Lynchburg that will be even worse off than we are?

We live in a company house. It is not a very good house. We don't have a bathtub. I have a 12-year-old brother, and until last April he had never seen a bathtub. We get just as dirty as other people; we need to wash.

Senator TUNNELL. Have you bought any Liberty bonds?

Miss HALL. My daddy has $1 a week deducted from his salary and I have $3 deducted from my salary for bonds.

Senator TUNNELL. Are you able to keep them?

Miss HALL. I have one that is not old enough to cash in. If anybody had to cash his bond in, I feel I don't have as many family responsibilities as my daddy and I would cash mine and let him keep his, feeling he would need it more later on than I would.

My grandpa and grandma don't have a place to live; they are very old, so we have to try to send them money to buy them medicine. They need clothes, too.

I think the time ought to come when the cotton mill people will have a chance to say what their children are going to be. If the kids want to work in the cotton mill, let them—that is their choice. But I have known children who wanted to do other things, they wanted to go to school, to college, maybe to be a doctor or lawyer, but they never had a chance. I had to go to work in the mill before I finished my last year of high school, right before my baby sister was born—I did not have a choice, but I would not want my sister to do that, I want her to have a chance to be what she wants to be.

They take income tax out of us, from $3.60 a week up, according to how we make.

I don't see how they expect us to live in any decency, expect us to grow up to be good American citizens, or to do anything, on account of the salaries we are making. I don't think my brothers, when they come back, will want to go to work for 50 cents an hour. I think they are entitled to more than that. I don't believe that my little sister would ever want to go to work for 50 cents an hour, and that is really what I am shooting at. What is going to happen to the other people who are coming on?

Senator SMITH. You are speaking of Lynchburg?

Miss HALL. Yes.

Senator SMITH. How many mills are there?

Miss HALL. Just one, in Lynchburg.

Senator SMITH. Do you know whether the rate of pay is about the same there as in other mills in the same kind of business?

Miss HALL. I should say in cotton mills the rate of pay would be the same where they have a union, and it would be much lower if they do not have a union. The minimum rate would be 40 cents if they did not have a union.

Senator SMITH. Where you are working you get better pay than they get in other mills?

Miss HALL. I think I am getting about the average. I would not say it is any less.

Senator SMITH. How is the business of the mill now?

Would you say they are going to shut down because they haven't got business enough?

Miss HALL. No, sir; they are going to put on a third shift and cut our hours from 48 to 40 hours a week and we will have a cut in pay for everybody.

Senator SMITH. They want to put on three shifts?

Miss HALL. Yes; if they get the help.

Senator SMITH. You think they are doing as much business as before?

Miss HALL. Yes; they are. They are expanding. They have new equipment ordered, and as soon as they can get it they will expand.

Senator JOHNSTON. I believe you stated you are a weaver?

Miss HALL. Yes.

Senator JOHNSTON. I know something about that, because I was a weaver for 8 years. What kind of weaving do you do?

Miss HALL. I make drill, three-harness stuff.

Senator JOHNSTON. A Draper loom?

Miss HALL. It is a Draper, model E.

Senator JOHNSTON. How many looms do you run?

Miss HALL. I run 36.

Senator JOHNSTON. Do you have a battery?

Miss HALL. Yes, sir.

Senator JOHNSTON. How many is the most in the mill?

Miss HALL. The number of looms would vary according to the construction of the cloth and whether or not you had a feeder. The most is 66.

Senator JOHNSTON. The most is 66?

Miss HALL. Yes.

Senator JOHNSTON. Even on the same grade of loom, you will find a difference in the number they are running.

Miss HALL. What do you mean by grade?

Senator JOHNSTON. I mean the same type of cloth, making the same type of thing, running the same yarn, the same warp, you find some weavers running a great deal more than others.

Miss HALL. I am afraid I can't answer that.

Senator JOHNSTON. Say you are running 64–68 or 64–72, you find one weaver will probably run 32 and some other weaver will be running 50 or 60 looms.

Miss HALL. Not if it is the same construction.

Senator JOHNSTON. You find that in my State.

Miss HALL. All I know is the one in Virginia.

Senator JOHNSTON. I worked for 50 cents a day. It is a disgrace, I know, because I worked for that, and for 65 and 75. I know your trouble. I worked in the spinning room and weave shop. You have different types of work in the mill, isn't that true?

Miss HALL. Yes.

Senator JOHNSTON. Did you ever work as a spinner?

Miss HALL. No, sir.

Senator JOHNSTON. I worked on that for some three years. In a spinning room a spinner will run four sides, isn't that true, maybe for the first 6 months or year?

Miss HALL. When she is learning, and then she will gradually take more.

Senator JOHNSTON. Up until they run maybe 12 sides.

Miss HALL. Some of our spinners run 16 sides.

Senator JOHNSTON. Some run 16 sides?

Miss HALL. Yes.

Senator JOHNSTON. That is true in the cotton mill industry. What do you draw per week?

Miss HALL. I am a piece-rate worker. There is a difference in my salary each week. If I feel good and can run around pretty fast, I might get $32.

Senator JOHNSTON. What is the price for the battery?

Miss HALL. The battery is 55 cents an hour. I think that is about $24 a week.

Senator JOHNSTON. What type of work does your father do?

Miss HALL. My father is a weaver.

Senator JOHNSTON. How many looms does he run?

Miss HALL. 66, but he doesn't make as much as I do, because it is different construction.

Senator JOHNSTON. A different type loom?

Miss HALL. Yes. He can't get around as fast as I do.

Senator JOHNSTON. I see. Do you know what they pay in the carding room?

Miss HALL. I know that the minimum pay is 55 cents. I know the fixers make 58 cents, and I think the drawing tenders would make about 58 cents, I am not sure.

Senator JOHNSTON. When you are speaking of children working in the mill, what is the age in Virginia?

Miss HALL. 16.

Senator JOHNSTON. I would like people to know I worked when I was 11 years old in the cotton mill.

Miss HALL. My daddy did, too, but it is telling on him now.

Senator JOHNSTON. I want to tell you I made them raise the limit there when I was Governor, and when I was a member of the House.

Miss HALL. I did not know you had been Governor.

Senator JOHNSTON. Yes; I was Governor two different times in South Carolina.

Miss HALL. I did not know who you were.

Senator JOHNSTON. I am trying to get some facts out here.

Miss HALL. I would like to give them to you.

Senator JOHNSTON. That is what we want. Do you know what the average is in spinning now?

Miss HALL. I should say it would be about 61 cents. I should say more than half the people in the mill make the minimum rate, the rate for common labor, and they are running skilled jobs.

When the minimum pay was shoved up they had to pay more. They went from 37½ to 40 then 45 and 47½; they had to pay the people that much. They did not raise the skilled-labor rate.

Senator JOHNSTON. That is right, they did not raise your skilled labor at all when the minimum came up.

Miss HALL. That is right.

Senator JOHNSTON. I think you will find it practically true throughout the United States to a large extent. What air-conditioning do you have in the mill?

Miss HALL. We do not have any air-conditioning; it is just plain hot, that is all. You go in to work 6 minutes to 7.

We have worked 9 hours and 36 minutes without a lunch period all during the war.

Senator JOHNSTON. No air conditioning?

Miss HALL. We haven't any there. In half an hour, all of our clothes are wet.

Senator JOHNSTON. It is necessary to keep the right humidity.

Miss HALL. The most times they put hot water on you.

Senator JOHNSTON. What house rent do you have to pay?

Miss HALL. We live in a company house. We pay $1.15 a week. They deduct that from your salary.

Senator JOHNSTON. Do you know whether or not some mills have rent as high as yours?

Miss HALL. Some of the mills, I understand, sold the houses to the help. In North Carolina that is true in several places, I believe.

Senator JOHNSTON. In my State they did the same thing. I don't know whether it has proved out successful or not.

Miss HALL. I figure we have bought our house about six or seven times. After all, we have lived there about 14 years, and it is not a very good house.

Senator JOHNSTON. I believe that is all.

Senator TUNNELL. I remember there was something about there being a tendency to increase the number of looms that a person attended to. Has that been noticeable in your mill?

Miss HALL. There have not been any stretch-outs yet, but they have gone around asking the people how many looms they thought they could run.

Senator TUNNELL. I remember one witness in particular testifying that the number of looms was increased until the defects were more noticeable and more cloth would be condemned.

Miss HALL. Yes, sir.

Senator TUNNELL. They could get more for the condemned cloth than they could for the ceiling priced cloth.

Miss HALL. There has not been too much stretch-out among the weavers, because they would not stand for it. We had a lot of absenteeism, and I imagine everybody has. They would come up to the battery floors and say: "Could you fill your job and half of another job?" Some of the good battery people said, "Look how much money I am going to make," and they agreed to do it.

Senator JOHNSTON. Do you think it would be a good thing to have some law whereby, before they could increase the load, that is, the stretch-out, in the cotton mills more than they have on a certain date—pick out a date in the past, 1939, 1940 or 1942—they would say "You cannot increase it above that load in the future unless you get the permission of your State labor commission?" Do you think that would be any good or not?

Miss HALL. I don't know. We have work-load clauses in our contracts. I should think that is good if we can get it to work. I should think offhand that would be a good law.

Senator JOHNSTON. I have no further questions.

Senator TUNNELL. I want to commend you for one thing, that is the saving of your two brothers' money in the bank.

That is all for today. We will meet again tomorrow morning at 10 o'clock.

(Whereupon, at 11:50 a. m., an adjournment was taken until 10 a. m., Friday, September 28, 1945.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

FRIDAY, SEPTEMBER 28, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, Guffey, and Aiken.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The hearing will please come to order.

We have a statement here from the Secretary of Agriculture, Clinton P. Anderson, which I will ask to have put in the record at this point.

(The statement referred to is as follows:)

STATEMENT BY SECRETARY OF AGRICULTURE CLINTON P. ANDERSON ON S–1349, A BILL TO PROVIDE FOR THE AMENDMENT OF THE FAIR LABOR STANDARDS ACT OF 1938, AND FOR OTHER PURPOSES, BEFORE THE SUBCOMMITTEE OF SENATE COMMITTEE ON EDUCATION AND LABOR, SEPTEMBER 28, 1945.

Although this proposed legislation does not directly affect farmers or agricultural laborers, I am happy to make a statement about it before this committee. I believe it will have important indirect effects on agriculture if it becomes law. Farmers are interested in all types of legislation which may lead to increased purchasing power among their customers. This proposed amendment to the Fair Labor Standards Act of 1938 will no doubt have an influence in expanding the demand for food and fiber. It is, therefore, of concern to all of us who are wrestling with the problems of agriculture.

American agriculture came out of this war geared to produce 30 to 35 percent more than it was producing in the years immediately preceding Pearl Harbor. This increased production came about at a time when the farm population, and hence the farm labor supply, was decreasing. In addition, the available supplies of farm machinery were far below the amounts that farmers wanted to buy. Of course, we have been blessed with generally favorable weather during the last few years. But the real credit goes to the American farmer for furnishing our civilian consumers with a better diet than they had before the war and, at the same time, supplying our allies large and urgently needed quantities of food. The American farmer's share in winning this war through expanding food production is striking testimony to his managerial and productive ability. He worked long hours, planned his operations carefully, managed well, and gave to us and to our allies—in short, to the cause of freedom—a phenomenal supply of food, which is one of the most important munitions of war.

This outstanding production on the part of American farmers indicates in no uncertain terms that we have had a veritable production revolution in agriculture. This wartime production revolution is not reversible. We cannot go back to prewar days. Postwar production on the prewar pattern is as outmoded as the model T Ford. Wartime production levels in agriculture will tend to persist regardless of economic conditions. Total farm production is responsive to increased prices or income on the upward side, but, once expanded, it is quite unresponsive to low prices or depressed conditions on the downward side.

Moreover, there is every reason to believe that improved farm technology will increase at a rapid rate in the years ahead. More and better fertilizers will

be used; improved varieties of plants and livestock will be grown on more and more farms; better feeding and breeding practices will result in greater production of livestock, dairy and poultry products, per pound of feed consumed. All of these things, and many others like them, will tend to increase the production per acre. At the same time that this type of technology is advancing, we may expect that more and more farmers will turn to the use of tractors and other power machinery; that more milking machines, self-feeders, and automatic watering devices will be installed; that more four-row cultivators will be in use; and that many types of machines will be used to cut down the heavy labor requirements at harvesttime in the cotton, hay, and vegetable fields, as well as in the fruit orchards. These developments will tend to reduce the man-hours of labor required in farming. With one type of technological advance reducing acreage requirements and another reducing labor requirements, it is easy to understand that the total output of all farm products will be extremely difficult to hold down in future years. Moreover, production control in agriculture is not compatible with a needed framework of policies in both industry and agriculture which encourages expanding employment and production throughout the economy.

I am convinced, therefore, that a large part of the solution to the farm problem ahead must be sought in the direction of expanding the total market for agricultural products. We may also need special programs to help workers who no longer can find adequate opportunity in agriculture to find nonfarm employment.

This proposed legislation appears to be one step forward in the task of expanding the market for farm products. That is the primary reason why, as Secretary of Agriculture, I am interested in it. That explains why I support its general purposes.

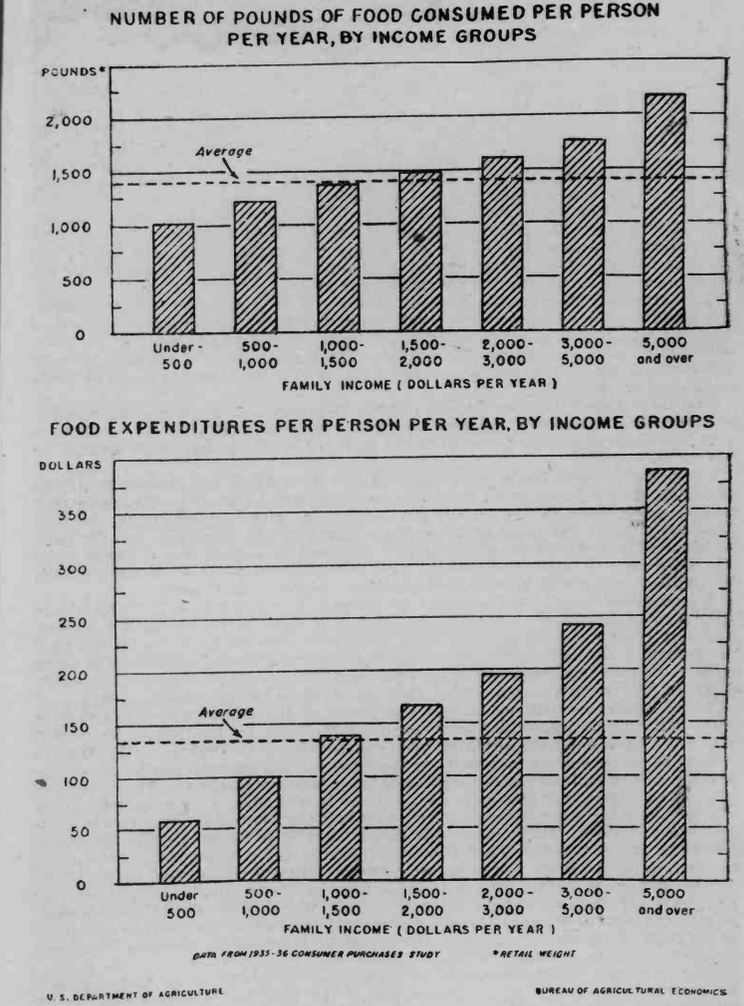
One of the greatest contributions which we can make in this country to expanding the market for agricultural products is to maintain full employment, and, at the same time, develop our international relations in such a way as to encourage foreign trade. Under a full employment situation, the problems of agriculture will not all be solved. They will, however, be manageable. Even with full employment and an active foreign trade, many steps will be necessary in the fields of agricultural, labor, and business policies, if we are to have a sound and prosperous agriculture. President Truman was certainly correct when he said in his recent message to Congress: "The existence of substandard wage levels sharply curtails the national purchasing power and narrows the market for the products of our farms and factories."

We know from our wartime experience that the demand for farm products rises rapidly with an increase in the incomes of city people. The families of the wage earners in this country are the biggest single group of customers that the farmer has. Better incomes for them will mean better markets for farm products. Along that line I want to call your attention to a chart which I have here.

The top part of this chart shows the way in which the pounds of food consumed per person increases as income increases. The bottom part of the chart indicates how annual expenditures for food rises with increasing family income. It is perfectly obvious that raising the income of a family increases the actual pounds of food which it consumes. Moreover, the expenditures which it makes for food rise considerably more rapidly than do the quantities consumed. The increase in pounds consumed, as well as in expenditures, arises from the fact that higher-income families purchase the more expensive and nutritious foods, which are also the more bulky foods.

Families with annual incomes below $500 ordinarily consume in a year only a little more than 1,000 pounds of food per person. The type of food which they buy is relatively cheap. However, families with incomes of $5,000 and more per year buy about a ton of food per person. Moreover, the type of food which they purchase is fully twice as expensive per pound as that purchased by the lowest-income groups. High-income families eat much more fruits, meats, dairy products, and vegetables than do low-income families. The latter depend heavily on bread, potatoes, beans, and similar relatively inexpensive foods. If, therefore, we can have a general rise in family incomes, we can be assured of expanding markets for food products—particularly for the foods that supply the minerals and vitamins essential to good diet.

This chart does nothing more than to illustrate graphically what we have all seen with our own eyes during the past 2 or 3 years. When people are at



work at good wages, they spend more money for practically everything. Food is no exception to this general rule, and especially the high-priced, nutritionally needed foods. As I have just indicated, agricultural production in the years ahead is potentially so great that farmers will need every possible increase in market outlets if they are to move their products into consumption at reasonable prices. The proposed amendments to the Fair Labor Standards Act will, I believe, aid materially in widening the farmer's market for the things he has to sell.

These amendments propose four important changes to the present law. First, they would increase the minimum wage of those unskilled workers covered by the act from the present legal minimum of 40 cents per hour to 65 cents, in the first year after the effective date of the amendments. During the second year the minimum would go to 70 cents per hour, and then to 75 cents in the third and subsequent years. Second, they propose to include two new groups of workers, namely, seamen and workers engaged in the processing, storing, and handling of agricultural and fishery products. Third, they provide for the establishment of reasonable wage differentials throughout an industry for all jobs above the minimum level act for unskilled workers. Fourth, they strengthen the present law in the way of preventing the use of oppressive child labor in nonagricultural enterprises. Agricultural employees are specifically exempt, as well as several other classes of workers.

The proposed amendments are not as far reaching as many people believe. For instance, the increase in the legal minimum wage from 40 cents to 65 cents an hour will probably not directly affect more than 4 to 4½ million workers, which is a small percentage of the total. The maintenance of reasonable wage differentials above the minimum will, of course, raise the earnings of some additional workers.

The inclusion of seamen and employees engaged in the processing, storing, and handling of agricultural and fishery products does not involve more than 1 to 2 million workers. Some of these workers have already been covered by the present act.

I do not propose to try to tell this committee what all of the various ramifying effects of this legislation will be if it becomes law. I shall gladly leave that task to my friends in the Department of Labor, who are experts in the field Studies by the Department of Agriculture staff indicate, however, that for each increase of $1,000,000,000 in the annual earnings of low-income workers there will be a corresponding increase in food expenditures of at least $200,000,000. In addition, there will be increased purchases of cotton and tobacco.

A modest increase in the earnings of low-paid workers will be a highly desirable type of insurance against a substantial decline in the demand for farm products resulting from the decreased purchases of farm products on the part of the armed forces plus the decline in lend-lease shipments, while, at the same time, reconversion unemployment is a problem.

There are those who will argue that an increase in the minimum wages of nonfarm employees will mean that the prices of the things which the farmer buys will automatically increase. To me this argument has yet to be proved sound. I have not seen anything very convincing on the subject. Economists are not at all agreed that an increase in wages paid by manufacturers will necessarily result in an increase in the price of manufactured products. Higher wages may bring about, for instance, an increase in efficiency of production either through a rise in the productivity of individual workers or through better management practices. Right along this line I want to point out that in the years following the end of the First World War there was a tremendous rise in the production per worker. For instance, between 1919 and 1923 annual productivity per worker in manufacturing industries rose by about one-third, or 8 percent per year. If the experiences after the First World War should be repeated within the next few years—in other words, if production per worker increases rapidly—it is obviously true that there can be substantial increases in wages without any rise in prices.

Whatever may be the real truth with respect to the influence of higher wages on prices, it is evident that the passage of the Fair Labor Standards Act of 1938 did not bring about any apparent increase in the prices of commodities purchased by farmers. That act was passed near the end of June 1938 and became effective about October 1st of that year. The quarterly index of prices paid by farmers for items used in family living stood at 122 in June 1938. (The average of 1910–14 equals 100.) By September of that year it was down to 121; in December it had declined to 120; and in both March and June of 1939, it was 119. It

was not until September 1939 that the index reached the level of 122, at which it stood in June 1938. Moreover, it declined slightly after June 1939, and a full year later, in the middle of 1940, the index was still below the level of mid 1938. The same general movements were apparent in the index of production items—farm machinery, fertilizer, building materials, seed, etc.—as in the family living items. There is no need to give the detailed figures. They tell the same general story as those I have just mentioned.

No one would argue, of course, that raising the minimum wage will not create problems for certain industries and firms which have unusually low wage scales. The wage increases which the passage of these amendments would bring about would be of greatest significance in the textile, tobacco, fruit, and vegetable-canning, and southern lumber industries. However, the enactment of the proposed amendments would not seriously interfere with the general reconversion program. Moreover, the long-time advantages of increased market outlets for these and other industries will more than offset the temporary disruptions which may occur in a few lines of production.

In summary, it appears evident that legislation of this character will increase the demand for farm products and that the production situation in agriculture is such that farmers need every assurance of the broadest possible market outlets. Moreover, there is little past evidence to indicate that prices paid by farmers will be increased by this proposed legislation. Therefore I conclude that amendments of this general nature should be enacted into law.

Senator TUNNELL. Mr. Remele.

All right, Mr. Remele; give your name, address, and present position.

TESTIMONY OF A. C. REMELE, NORTHWEST COUNTRY ELEVATOR ASSOCIATION, MINNEAPOLIS, MINN.

Mr. REMELE. My name is A. C. Remele, 713 Chambler of Commerce, Minneapolis. The Northwest Country Elevator Association is a voluntary organization, the member of which are engaged in the operation of country elevators in the States of Minnesota, North Dakota, South Dakota, and Montana. The F. H. Peavey & Co., of which I am general counsel, is a member of this association and operates at the present time about 225 country elevators.

The total number of elevators operated by members of the association is approximately 1,000. In addition to the elevators included in the membership of the association, there are in the four States named approximately 3,000 elevators operated by independent owners and cooperatives.

Nature of facilities: Country elevators are facilities located in the grain-growing areas of the States above named, as well as other areas in the United States, and are constructed for receiving, storing, and shipping of grain raised in the surrounding territory and hauled in by farmers in wagons or trucks. They constitute the primary markets for grain and seeds and are located in nearly all towns, villages, and sometimes at mere railroad sidings in the grain-growing area. In many instances, they take the place of storage facilities at the farm, as a great percentage of farmers haul their grain directly from the threshing machine to these storage facilities and have no facilities for storing their grain other than these country elevators.

They are, for the most part, equipped with large platform dump scales, so that trucks and wagons can be weighed and dumped into a receiving pit from which the grain is elevated by power machinery to various bins in the elevator. As grain accumulates in the elevator, it is again transferred by machinery to cars for shipment to terminal grain markets.

Employees: In a large percentage of the elevators in this area there is but 1 employee, known as the manager. For example, out of 136 elevators reporting in Minnesota, 100 had but 1 employee; out of 155 reporting in Montana, 117 had 1 employee; and in North Dakota, out of 559 reporting, 299 had 1 employee.

The manager is in complete charge of the elevator, and his duties consist of weighing and taking into the elevator the grain hauled in from the farm and diverting it through mechanical devices to bins in the elevator, either buying the grain at the time of the receipt or issuing storage receipts therefor and subsequently shipping the same to terminal markets. He must have a specialized knowledge of all kinds of grain, including skill in the matter of determining grade and quality, usually fixes his own hours, on which there is no check, and his status is entirely different from the status of employees working in industrial plants or factories. He does very little physical work, since the grain is all handled by machinery, and his chief value lies in his ability to get business and to properly grade and price the grain offered for sale.

Quite a large percentage of the elevators in the northwest area have what is known as a second man, who assists the elevator manager with his duties and is usually in line for a position as manager when he has become sufficiently competent to be advanced to such position. Where there are more than two employees it is usually because of the fact that the elevator is engaged in the handling of coal, twine, flour, and feed which are being sold at retail to farmers.

Managers and second men are almost without exception paid on a monthly basis, are usually old employees; and the average monthly salary for managers is approximately $190, while second men receive a monthly salary averaging $140.80.

Hours: The elevators in the four Northwestern States in which we are primarily interested are all operated under State licenses as public utilities and are supervised by regulatory bodies known as railroad and warehouse commission, public service commission, and so forth. They are required by law to receive grain tendered for storage and cannot be closed except with the consent of the regulatory body.

The grain producers in this area have been accustomed during the threshing season to haul their grain to the elevator directly from the threshing machine; and since these machines work long hours, elevator employees have, during the time of heavy movement, kept their elevators open sometimes considerably in excess of 12 hours per day. It is a matter of extreme importance to the producers to take advantage of every available hour of good weather to harvest the grain and haul the same to the elevators, so as to take it out of the hazards of weather and other factors that may result in damage to the crop. The hours at these elevators have, therefore, been adjusted to meet these requirements. For a large part of the year the hours are much shorter; and while the elevators usually are kept open during business hours, there are many weeks during the year when the manager has very little to do and many days when he does not take in a single load of grain but keeps his plant under observation so that if some grain is offered he can take it in. There is no one present at his station to check his hours, and he uses his own judgment as to what time he ought to put in at his elevator. This is quite unlike the situation prevailing in factories and plants in other lines.

Hours of employment are not a factor in these small towns and villages, and the employees in the stores, garages, and other little business usually found are not much concerned with the hours of work.

Origin of the grain: The grain received at these elevators is hauled from farms varying considerably in the matter of their distance from the elevator, depending upon the number of stations that are to be found in any given area. In more thickly populated sections of Minnesota, the distance may not exceed 15 to 20 miles, whereas in some sections of North Dakota, South Dakota, and Montana the nearest elevator to some of the grain farms would be as much as 50 to 100 miles.

We are appearing here primarily in opposition to the proposed amendments of the Fair Labor Standards Act insofar as they eliminate the exemption provided by section 13 (a) (10), which provides:

> The provisions of sections 6 and 7 shall not apply with respect to (10) any individual employed within the area of production (as defined by the Administrator), engaged in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products.

Senator ELLENDER. Exactly, how would that affect your business?

Mr. REMELE. If we are denied the exemption, we would have to keep hours in these country plants. A country elevator, of course, is located out in every little town and village throughout Minnesota and North Dakota and all the grain-growing area. The employees in these plants have to adjust their hours to the hours that are observed by the farmers in the locality. The farmers, of course, during the threshing season especially, work long hours; they have got to get the grain in before rain or some other thing deteriorates the crop; and we are the storage facility for many of these farmers. Most of the farmers do not have sufficient storage capacity on the farm to take care of it, and they haul the grain right from the thresher into the elevator.

Senator ELLENDER. How much longer would an employee have to work unless the exemption that you are contending for is in the bill?

Mr. REMELE. The employee in these elevators works overtime perhaps to the extent, in the busy season, of as much as 60 or 70 hours, and it would be a terrific burden on us as the employers to pay them overtime for the hours over 8 per day.

Senator ELLENDER. For how long a period does that last?

Mr. REMELE. Of course, we don't know exactly what hours they observe, because they keep their own hours.

Senator ELLENDER. I mean for how long a period of time; 2, 3 weeks or 2 months?

Mr. REMELE. Well, in these last years they have been busy 3, 4 months of the year, especially busy, but they work 50 or 60 hours most of the year. I mean they put that much time in at the elevator. They do not work hard all the time; they do not do anything a lot of the time.

Senator ELLENDER. Do they get overtime for such work as they do?

Mr. REMELE. No; we pay them all on a monthly salary basis. The average pay is about $190.

Senator ELLENDER. Have you any objection to the minimum rate of pay fixed in the bill?

Mr. REMELE. Not if we get this exemption. Of course, we would not be interested in the rate if we got this exemption.

Senator ELLENDER. What is the pay at the present time?

Mr. REMELE. The pay averages in our area about $190 for the manager and about $145 to $150 for what they call the second man. He is an assistant.

Senator ELLENDER. What does that mean on a per hour basis?

Mr. REMELE. Well, we haven't reduced it to hours, but the average week would probably run between 50 and 60 hours.

Senator ELLENDER. That would be around 55 cents an hour.

Mr. REMELE. For the second man; yes. The managers, of course, get more.

Senator ELLENDER. If you got this exemption, you would have no objection to the considerably increased rate of pay that is provided for in the bill?

Mr. REMELE. If we get the exemption we of course would not be affected by the proposed increase in the hourly rate.

Senator TUNNELL. If you are not under the law, you do not care?

Mr. REMELE. That is right. There is one factor I want to call your attention to in the little time I have, and that is that these elevators are public utilities; they are licensed by State authority, and the charges that they can make for their services are fixed by law, such as the storage charge, the handling charge. If our overhead is increased by bringing us under the law, whereas before we have been exempt, why, we want to know where to make up this extra overhead involved in paying the extra wages.

Senator AIKEN. Do you store this grain for so much per bushel?

Mr. REMELE. Yes.

Senator AIKEN. And you have to keep these long hours, so if a farmer comes in after supper there is someone there to take care of his grain?

Mr. REMELE. Yes; someone must be there to take care of his grain. He may come in from 15 to 20 miles.

Senator AIKEN. I suppose some days, probably when the harvest is at its height, when you have people waiting to unload and there is pretty steady work during the height of the season, the time of the men is fully employed.

Mr. REMELE. Oh, yes.

Senator AIKEN. And then as the harvest season tapers off the grain comes in slower and there are longer periods between the trips.

Mr. REMELE. That is right. In these little towns the man would be at the elevator but on some days he might not have a load all day.

Senator AIKEN. Who owns these elevators?

Mr. REMELE. Speaking of elevators generally, they are owned by individuals or by what they call line companies which have a chain of elevators throughout the country, or by cooperatives. A good many cooperative elevators are owned by the farmers themselves.

Senator AIKEN. Does the same law that applies to these elevators apply to the big elevators, we will say, in Duluth and Minneapolis?

Mr. REMELE. No.

Senator AIKEN. They come under the law?

Mr. REMELE. They come under the law and always have; yes.

Senator AIKEN. It is just this primary storage?

Mr. REMELE. That is all; yes.

Senator AIKEN. That you ask to have exempted?

Mr. REMELE. Yes.

Senator ELLENDER. Now, a little while ago you said you wanted to be exempted and not have the law applied to you. You further said that you are now paying $145 a month for the second man. Am I right in that?

Mr. REMELE. That is right.

Senator ELLENDER. That second man works about 50 hours a week?

Mr. REMELE. Yes; that would be a fair statement, I think.

Senator ELLENDER. Now, should the maximum amount of pay, that is, the 75 cents, be reached within 3 years, at 50 hours a week it would mean, as I figure it, $37.50 a week, and that times 4 weeks would make it $140 per month; and you are paying about $145.

Mr. REMELE. That would be $150, I think—$37.50 time 4.

Senator ELLENDER. You are correct.

Mr. REMELE. We are also interested in the effect it is going to have on the manager. There are a lot of these elevators, probably one-half of them, that only have one man. If we lose the exemption, he has got to have his increase.

Senator ELLENDER. Suppose, instead of operating your elevators on a basis of 50 hours a week you operated them on a basis of 40 hours a week, as I figure it you would be better off; that is, it would cost you less or not more than you are now paying.

Mr. REMELE. We cannot do that, though, because we have got to keep the elevator open to conform with the custom and habits of the farmers.

Senator ELLENDER. Why cannot you keep it open by employing two men instead of one man?

Mr. REMELE. We cannot do that, because the manager is the fellow that gets the business, that takes in the grain, inspect it, pays for it and stores it, and he is responsible for what he takes in at the end of the year. You cannot substitute another fellow in there and still make the manager responsible for the grain that he takes in.

Senator GUFFEY. What is the average capacity of these elevators?

Mr. REMELE. About 30,000 bushels would be the average.

Senator AIKEN. As I understand it, the small elevators have just one man who receives about $190 per month. That is about $45 per week.

Mr. REMELE. Yes.

Senator AIKEN. He is getting paid now 75 cents an hour for 60 hours straight time.

Mr. REMELE. Yes.

Senator AIKEN. If your exemption were denied it would mean you would have to pay an increase for 20 additional hours a week; is that right?

Mr. REMELE. Yes.

Senator AIKEN. That would be $7.50 a week increase. The increase would be more, however, at the elevators where you have to keep two men.

Mr. REMELE. Yes; and in elevators where there is one man and he is open, as he might be, 72 to 80 hours.

Senator AIKEN. The increase in wages would not affect you as much as the exemption of the overtime provision.

Mr. REMELE. We pay him on a straight salary basis. If you establish the 40 hours and paid him overtime over 40 hours, it would increase the pay of the manager very materially. The point is, while the average might be around 50 or 60 hours during the time they are threshing, during the rush season, maybe 2 or 3 months, which starts in some of these areas in July and runs on through November, the hours might be 70 to 80 some days. The employees are not at all dissatisfied; they like their job and nobody kicks at the long hours at these times.

Senator AIKEN. Do these men have year-round work?

Mr. REMELE. Oh, yes.

Senator AIKEN. They have to stay in the elevators in the winter, too?

Mr. REMELE. Oh, yes.

Senator AIKEN. Then, I suppose they have shorter hours when the grain has gone out.

Mr. REMELE. They do not have any physical work to speak of.

Senator AIKEN. I mean they probably get in 5 or 6 hours during the wintertime.

Mr. REMELE. Some days they would not do anything at all; the elevator would be open, but they probably would go home and if a load drove up they would go to the elevator and attend to it.

Senator ELLENDER. They get the $145 monthly whether they work the 50 hours or don't work at all?

Mr. REMELE. Yes.

Senator ELLENDER. That is on a yearly basis?

Mr. REMELE. That is right.

Senator AIKEN. It is probable that they get more than what this bill calls for if they are on an annual wage.

Mr. REMELE. Oh, yes. We try to keep them on, and have kept them on, during the whole year, whether they are busy or not. In fact, these elevators have got to stay open by law.

Senator AIKEN. Can you hire labor in the northwest and central part of the country for less than 65 cents an hour now, if it was reduced to an hourly rate?

Mr. REMELE. Oh, you can here and there, but generally speaking the farm labor is a little higher than that.

Senator AIKEN. You might get a man who has physical defects.

Mr. REMELE. Yes. These men do not do much physical work.

Senator AIKEN. How much, if any, has the cost of labor increased in the last 4 years?

Mr. REMELE. The elevator employees?

Senator AIKEN. Yes.

Mr. REMELE. Well, I think there has been perhaps an increase of an average of $20 a month or $25 perhaps.

Senator GUFFEY. If the farmer stores wheat for 30 days; what is the charge?

Mr. REMELE. We give him 15 days free storage, and then we charge him one-thirtieth of a cent a day per bushel.

Senator GUFFEY. One-third of a cent?

Mr. REMELE. One-thirtieth.

None of the reasons or labor conditions that prompted the passage of the act originally are present in the case of these isolated establishments and it is, we think, beyond dispute that it never was the intention of Congress in passing the act of 1938 to include activities of this character as being within the provisions of the Fair Labor Standards Act. It was clearly intended that the Administrator should by proper definition exclude them from the wage-and-hour provisions of the act, and immediately after the effective date of the act the Administrator defined Area of Production; the requirements of the first definition being that the establishment obtain its products from farms in the immediate locality and the number of employees in an establishment not to exceed seven.

Effective April 20, 1939, there was a new definition made applicable to perishable fruits and vegetables in which towns of 2,500 were excluded from the exemption and the distance from which a plant could draw its products was limited to 10 miles. Then effective June 17, 1939, there was promulgated a generally applicable definition requiring that the products come from farms in the general vicinity of the establishment and the number of employees engaged in the establishment was not to exceed seven.

This definition was in effect and exempted fully 85 percent of the grain elevators in the United States until the United States Supreme Court decision in the case of *Addison* v. *Holly Hill Fruit Products Inc.*, decided June 5, 1944, holding that the act of 1938 gave the Administrator no power by definition of area of production to differentiate between plants on a basis of number of employees engaged in the plant. The Court directed the Administrator to promulgate a new definition to be in accord with the opinion of the Court and to govern retroactively from the effective date of the act. Last February extensive hearings were held by the Administrator on the matter of a new definition which has as yet not been announced.

Undoubtedly one reason for the delay in the promulgation of a new definition is the difficulty involved in writing a definition applicable reasonably to the hundreds of agricultural products involved.

We feel certain that if only grain were involved there would be no hesitation on the part of the Administrator in writing a definition by the terms of which grain elevators generally would be exempt.

As area of production was defined from time to time by the Administrator, he issued statements explanatory of these definitions and it is clear from his explanatory statements and regulations that he had in mind exempting small plants where the number of employees did not exceed from 7 to 10.

The administrator now finds himself in a position whereby the decision of the Court in the Addison case he dare not use the number of employees in the plant as a factor in his definition and it is therefore very difficult to carry out what the Administrator and the Supreme Court have construed the intent of Congress to have been in the original act; namely, to give exemption to plants involving only a small number of employees and including under the provisions of the act the larger plants with large numbers of employees.

Among the reasons which we believe require that the country grain elevators remain exempt from the provisions of the act and why we oppose the elimination of the exemption are the following:

(1) The legislative history of the act indicates clearly that at the time it was passed it was not the intention of Congress to include the nonexempt establishments engaged in operations closely related to and in close proximity to agricultural operations where the products in

question are produced. As the bill was passed by the Senate it provided that the term "person employed in agriculture" as used in this act insofar as it shall refer to fresh fruits and vegetables, shall include persons employed within the area of production engaged in preparing or storing such fresh fruits and vegetables in their raw or natural state.

Volume 81, Congressional Record, 7876, 7949, 7957: This provision varied somewhat by extending its coverage to all "agricultural commodities"—Congressional Record, 1783–1784—remained as part of the definition of "Employee employed in agriculture" until shortly before the bill was finally adopted by the House, at which time the so-called Biermann amendment included within the definition of employees engaged in agriculture:

> individuals employed within the area of production, engaged in the handling, packing, storing, ginning, compressing, pasteurizing, drying, or canning of farm products and in making cheese and butter.

Volume 83, Congressional Record, 7401, 7407: At the conference on the disagreeing votes of the two Houses, the "area of production" provision was given the form in which it was finally enacted, and there the parenthetical phrase "as defined by the Administrator" was inserted after "area of production"—volume 82, Congressional Record, 9249. So throughout the time the bill was considered the country elevator operations would have been exempt either by the definition of agriculture as used in the act or by the final provision leaving the definition to the Administrator.

Representative Biermann was asked whether his amendment—

> would apply to a packing house located in Iowa and Illinois in the area of production, which employs two or three hundred men.

This was his complete answer:

> Speaking frankly, I think that is something that would have to be worked out. There are some packing houses in the State of Iowa that this amendment would apply to, perhaps; but may I say that all over this country it has been recognized that there should be a labor differential between the large city and the little town.

In other words, between the large and small plant.

As the legislative history shows, there was fairly general agreement that some part of the work specified in section 13 (a) (10) should be exempt, whether or not it was done on the farm. Among the latter were views that the exemption should be made because the farmer bore the cost of the work—confer volume 81, Congressional Record, 7656, 7877, 7880; or because many farmers in fact performed it on their farms and as part of their operations—volume 81, Congressional Record, 7657–7659; or because others who had to resort to independent contractors to have it done would be discriminated against unless the work were exempt—volume 81, Congressional Record, 7656, 7658–7660, 7876. Some legislators were concerned to have the exemption apply whether the work were done in large or small plants; others to limit it to small ones only; and still others to secure it completely for particular crops. Numerous amendments were tendered, but for the most part defeated. It was not until the conference committee's report was framed that the problem was solved by referring it to definition by the Administrator.

The Senate's first suggestion of "area of production" came from Senator Copeland—volume 81, Congressional Record, 7656—although

Senator Schwellenbach became the chief proponent of the concept in the Senate. Senator Black, sponsor of the bill, was concerned with the scope of "area" and sought a more accurate term for limiting its effect so as not to exempt workers in large plants—confer volume 81, Congressional Record, 7656–7660, 7876–7878—and others expressed opinions that large operators should not be exempted.

Parenthetically, I might say that the above references to the legislative history of the act are all taken from the notes in the decision of the Supreme Court, *Addison* v. *Holly Hill Fruit Products*.

The same considerations that prompted the Congress to create the exemption provided in section 13 (a) to (10) are just as much present and just as persuasive as at the time when the act was originally passed, and no sound reason why this exemption should now be discarded suggests itself. If it be argued that the difficulties involved in formulating a definition applicable to all agricultural products involved might be a reason for the elimination of the exemption, then we suggest that the purpose of Congress and the apparent intent to limit the exemption to the smaller plants could quite easily be accomplished by a slight change in the language of section 13 (a) to (10) and making this section to read as follows:

> The provisions of sections 6 and 7 shall not apply with respect to (10) any individual engaged in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market or in making cheese or butter or other dairy products, where the number of persons regularly employed in one plant or establishment does not exceed ten.

(2) As it has already been suggested, it is impossible for the average country elevator, of which there are some 14,000 in the United States, to operate on a basis of a fixed hours per day or week schedule. These grain elevators in many instances are the only storage facilities available to farmers operating in the vicinity. When the harvest season is on, it is not only desirable but imperative that every available hour of good weather be utilized to accomplish the threshing of the crop and getting the product into safe storage. Anyone familiar with agricultural conditions in the grain-growing sections of the country must realize that a protracted wet spell or hail storm may seriously damage crops where still standing or in shocks or windrows ready for the thresher. Only last year there were thousands of acres in Minnesota and North Dakota that were caught in a wet spell and the grain sprouted in the windrows and shocks in the fields and was never threshed. Farmers, therefore, operate their threshing machines during long hours and country elevators must be kept open to receive the grain as it is offered for storage. These elevators are for the most part located in the small towns and other businesses in these towns are accustomed to keeping long hours. This means, therefore, that at times these elevators are open in the busy season from 12 to 14 hours, and to place them under the provisions of the act would require at the increased hourly rates proposed in the present bill payment of overtime in amounts that would be ruinous to elevator operators.

The managers of these elevators are all bonded and are responsible for the amount, kind, and grade of grain they report as having been received in the elevator. This makes it impossible to substitute another shift during a part of a long day, even if the added expense were warranted. The manager of the average elevator would not

accept the responsibility involved if he were not present to supervise the taking in and weighing and grading of the grain as it is offered. He is required to make a cut-off and report at the end of the year, and he could, of course, not be held responsible for the outturn of his elevator if someone else were permitted to function in his job for a part of the time.

(3) Nearly all country elevators are operated as public utilities and are licensed and supervised by State regulatory bodies. As for example, in Minnesota we have the railroad and warehouse commission, in North Dakota, the public service commission, and so forth. In addition to this, the charges for storage and handling of grain through the elevator are fixed by a statute and cannot be increased except by the enactment of new laws by State legislatures. Unless country elevators are permitted the exemption, they would be compelled in many instances to operate at a loss until they can persuade a State legislature to permit them to increase their charges or unless they could pass the loss back to the producer in a smaller price for his products.

(4) A great many country elevators are operated from a central office or by a manager, in case of a cooperative, hired by a board of directors. The employer is not at the plant except for occasional visits and cannot keep the time of employees as can be done in factory or other plant operations. In the event, therefore, that a record of hours was required to be kept, the employer would be absolutely at the mercy of the employees in the matter of hours. This would throw an unusual, and unwarranted, and unfair hardship on the employer and he might be required to pay for many hours spent away from the plant entirely, when employees might be visiting downtown, working in the home garden, off hunting, or other matters that might keep the employees away from the elevator in slack times.

Then, too, wherever the act applies, the Administrator is required to and does employ investigators and field men to check on the matter of hours and payment of overtime and the supervision of these scattered and isolated plants, each with an average of not more than two employees would throw an undue and unnecessary and expensive burden on the Administrator. It must be noted, too, that the local manager cannot qualify for an exemption as an executive or administrative employee as these terms have been defined by the Administrator and there would be no disinterested party available to keep records of time and overtime.

We, therefore, respectfully urge that the exemption heretofore afforded to our industry may be retained hoping that the Administrator can formulate a definition that will meet the specifications suggested in the decision of Supreme Court in the Addison case.

We also respectfully urge careful consideration to our suggestion that section 13 (a) (10) be amended so as to make it unnecessary for the Administrator to write a definition. All of the services enumerated in section 13 (a) (10) have to do with agricultural products at or near their source and with the limitation as to the number of employees, we believe that the original intention of Congress in the passage of the Fair Labor Standards Act will be fully served. This would deny the exemption to large plants and retain it for the smaller operations with a very limited number of employees. We

submit that retaining the exemption in its present form, or as suggested herein, would not, to the slightest degree, be inconsistent with the declared policy of Congress as set forth in either the act of 1938 or in the proposed bill amending the same.

Senator TUNNELL. Are there any further questions?

If not, thank you.

Mr. Davis.

TESTIMONY OF WILLIAM H. DAVIS, FORMER DIRECTOR, OFFICE OF ECONOMIC STABILIZATION

Senator TUNNELL. Mr. Davis, will you give your name, address, and your present position?

Mr. DAVIS. My name is William H. Davis. I am a private citizen, practicing law in New York City.

Senator TUNNELL. All right, Mr. Davis, you may make your statement.

Mr. DAVIS. Your invitation to appear before this committee was first extended to me as Director of the Office of Economic Stabilization. When that office was consolidated with the Office of War Mobilization and Reconversion and I left the Government service, your committee again invited me to appear, as a private citizen. I am very glad to do so.

Your committee has under consideration proposals to amend the Fair Labor Standards Act of 1938. I think the committee may wisely approach the subject from the point of view expressed by President Truman in his message to Congress of September 6, 1945. The President said that the 40-cent minimum wage of the law as it now stands—

was inadequate when established. It has now become obsolete.

"Was inadequate when established": I need not recall to this committee that the act of 1938 was preceded by a very careful study in the Congress, and was very fully debated. It provided a minimum wage of 25 cents an hour for the first year following the effective date of the act—October 23, 1938, to October 3, 1939—not less than 30 cents an hour for the next 6 years, and not less than 40 cents an hour after October 23, 1945, the expiration of 7 years from the effective date of the act.

These minimum wage rates, progressing over a period of 7 years from 25 cents an hour to 40 cents an hour, produced minimum weekly wages, at 40 hours a week, progressing from $10 a week in 1938 to $16 a week in 1945. Minimum wages were not fixed at those levels on any finding by Congress that such wages were sufficient to maintain the minimum standard of living necessary for health, efficiency and general well-being of workers. On the contrary, the committee reports declared that such wages were insufficient to eliminate the substandard conditions which the Congress found to be a burden on interstate commerce, a source of unfair methods of competition, an inducement to labor disputes, and an interference with orderly and fair marketing of goods in commerce. The minimum rates fixed in that act were regarded as only a beginning and as the most that could then be required without causing unemployment. That should be emphasized. That was the conclusion of the Congress at that time, after,

I think, one of the most careful and thorough-going studies and debates that I can remember.

The Congress recognized that it should not proceed too abruptly to a minimum wage level high enough to afford a standard of living necessary for health, efficiency, and general well-being of workers. The studies that had been made indicated that so abrupt a change in minimum wage levels might so affect costs and prices as to substantially curtail employment. Congress had to be contented at that time with a minimum wage level admittedly too low to eliminate substandard conditions of living.

With the view of reaching, as rapidly as it was economically feasible without substantially curtailing employment, the 40-cent minimum-wage level of the act of 1935, the Congress provided in the act for the tripartite industry committees to be appointed by the Administrator and empowered to recommend to the Administrator an earlier increase of the minimum wage in any industry or industry subdivision up to but not above 40 cents. If my information is correct, those industry committees have functioned very well, indeed. Their recommendations have almost always been unanimous. They have afforded an almost ideal means of making a specific study of the effect of a statutory increase in minimum wages—not above 40 cents an hour—in any particular industry.

If my information is correct, gentlemen of the committee, those industry committees have functioned very well, indeed, and I think my information is correct. Their recommendations have almost always been unanimous, tripartite—industry, labor, and the public. They have afforded an almost ideal means of making a specific study of the probable effect of a statutory increase in minimum wages.

It seems to me that the experience gained and the information collected by those industry committees should be of great value to this committee. I should suppose that the Wage and Hour Division of the Department of Labor and the Bureau of Labor Statistics could now present to this committee or to its counsel a real mine of information about the practical effect of the act of 1938. I should think that this committee could now be informed fully as to whether the minimum-wage provisions of that act did in fact have a good effect to remove labor conditions detrimental to the general welfare without substantially curtailing employment or earning power. I also think that such information, derived from actual experience, would be very helpful toward enabling this committee to estimate the effects of further steps toward a higher level of minimum wages, having regard to the continued purpose to eliminate detrimental substandard wages at such a rate as to avoid substantial curtailment of employment or earning power.

"Has now become obsolete": I quite agree with President Truman's statement in his message to Congress that the 40-cent minimum wage has now become obsolete. When we take into account the rise in the cost of living of wage earners who subsist on these very low levels of income, the 40 cents which the Congress intended to provide by 1945, under the act of 1938, is reduced to less than 30 cents. At the price levels of today it would take at least 55 cents an hour to equal the 40 cents Congress intended to give in the 1938 act. Even the inadequate provision of the act of 1938 now means 55 cents, not 40 cents.

Senator ELLENDER. Would you mind an interruption, Mr. Davis?

Mr. DAVIS. Senator, if you will let me finish——

Senator ELLENDER. All right.

Mr. DAVIS. In other words, the minimum wage rate now needs to be increased to at least 55 cents an hour to achieve even the limited degree of improvement intended by the Congress in the 1938 act. The existing minimum wage of 40 cents an hour now falls far short of the real minimum wage level Congress intended that the country should reach by 1945. The 40-cent minimum wage does not now achieve its intended purpose. It has become obsolete.

In the Wage Report made by the four members of the National War Labor Board to President Roosevelt on February 12, 1945, in pages 24 and 25, there is a careful discussion of substandard wages. The first sentence of that discussion is:

> It must be recognized that the situation of the lower income wage and salary workers, upon whom the increase in the cost of living has fallen with disproportionate severity, has remained unsatisfactory under the wartime economy.

I continue to be of the same opinion we expressed at that time, and I am confident that my conferees, Dr. George W. Taylor, Mr. Lloyd K. Garrison, and Dr. Frank P. Graham, still entertain the same views. I should like to insert into the record of this committee, if I may, what was said in that Wage Report on this subject, as follows:

> SUBSTANDARDS
>
> It must be recognized that the situation of the lower-income wage and salary workers, upon whom the increase in the cost of living has fallen with disproportionate severity, has remained unsatisfactory under the wartime economy. This situation deserves the most careful consideration as we pass from war to peace. As the President said to Congress on January 6 of this year in his message on the State of the Union: "Americans do not regard jobs that pay substandard wages as productive jobs."
>
> The War Labor Board's capacity to deal with the situation is very limited. The Board can act in only two ways, by approving or disapproving voluntary wage adjustments, and by deciding wage disputes under the War Labor Disputes Act. The Board cannot issue general orders requiring employers not before the Board to increase their wages. In dispute cases involving substandard wages the Board while not restrained by any specific wage stabilization rules, has had to consider competitive conditions and the extent to which substandards can be corrected without creating a loss of employment. All carefully developed budgetary studies show the need for minimum hourly rates much higher than those which could be ordered without shutting down establishments and throwing people out of work. This inherent limitation, which Congress took into account in the Fair Labor Standards Act in 1938, must be given even more attention in deciding individual dispute cases than in enacting legislation, since in dispute cases the order will normally affect only one employer or a small group of employers in an entire industry, and the competitive difficulties will accordingly be accentuated.
>
> The Board's capacity to correct substandards is still further narrowed by the fact that there are multitudes of people at the very low-income level who are not under the Board's jurisdiction at all.
>
> "The school teachers, the clergymen, the State, county, and city officials, the policemen, the firemen * * * the dependent mother of the soldier boy with her scant $37 a month, the widow living off the proceeds of her husband's insurance policy, and the old-age pensioner * * *. These unorganized millions must not become the forgotten men and women of our war economy (from the President's message accompanying his veto of the Commodity Credit Corporation bill of July 2, 1943)."
>
> LEGISLATIVE POSSIBILITIES
>
> For the most part the economic status of the "unorganized millions" referred to in the President's message above can be improved only by legislative action, chiefly on the part of local governments. There are other millions of low-paid

industrial wage earners whose cases, while falling under the War Labor Board's jurisdiction, never reach the Board and whose prospects for economic advancement are not favorable. Their status could most rapidly and effectively be improved by increasing the minimum-wage requirements of the Fair Labor Standards Act. Quite apart from the considerations of equity which are here involved, we suggest that legislative action of the sort here mentioned could produce a very large effect on the aggregate of incomes if it should be concluded at any time that national economic policy calls for increasing the level of consumer incomes.

The Fair Labor Standards Act deals only with minimum wages at the substandard level. The War Labor Board has found that increases in the minimum require further wage adjustments for closely interrelated job classifications above the minimum. It is not uncommon to find portions of industries in which all the workers are crowded together within a narrow range of rates just above the minimum. In these cases there may be few if any workers at the statutory minimum, and yet the substandard problem is a very real one. It must be remembered that when Congress, in the Fair Labor Standards Act, prescribed a minimum rate of 25 cents an hour for the first year, to be raised at the beginning of the second year to not less than 30 cents and after 7 years from the date of the act to not less than 40 cents, Congress did not find that these minimum rates were sufficient to afford a decent standard of living. On the contrary, the minimum rates were regarded as only a beginning and as the most that could be required without causing unemployment.

In the light of our experience, and of the changes in the economy since 1938, we raise the question whether it would not be appropriate to consider a statutory requirement that, in each industry, minimum rates for a limited number of key occupations above the minimum starting rate should be set, with a view to more effectively correcting substandards of living and, so far as possible, eliminating competitive advantages derived from the payment of inadequate differentials above the minimum starting rate. Peg points of this sort above the starting rate would not have to be identical for all areas or for all branches of a given industry, and they could be established through industry committees and collective bargaining in the same way as has been provided for in the act with respect to starting rates.

These peg points would constitute a framework within which all intermediate rates would have to be set in accordance with proper job descriptions and evaluations, in balance with each other and with the peg points. We have already pointed out how this process of reevaluation will impart more stability to wage structures and act as a deterrent against reductions in straight-time hourly earnings in the reconversion period. A statutory requirement that peg points be established would therefore support the congressional purpose, declared in the Stabilization Act of October 2, 1942, to avoid the deflation of wages.

We think that industry and labor might well consider whether this purpose, whose achievement is so necessary to the continued stability of the economy, might not be still further advanced by a statutory enactment under which the industry committee procedure laid down in the present act would be extended to cover the establishments of minimum starting rates and of minimum peg points above them not only in the industries with the lowest wages, but in all industries. The establishment of these minima throughout industry generally, and the consequent revision of ill-defined and unbalanced wage structures, would provide a very substantial degree of protection against deflation of straight-time hourly earnings in the reconversion period. These ends can, of course, best be accomplished by collective bargaining, and legislation of the sort here envisaged should be regarded chiefly as an aid to that process.

We draw attention to these legislative possibilities only because our own experience in the field of wage stabilization and disputes has indicated the causes of certain weaknesses in the national wage structure whose correction is desirable in the interests both of stabilization and of peaceful labor relations.

That is all I have to say, Senator.

Senator TUNNELL. You state 40 cents was inadequate, that 55 cents now would be about the equivalent to 40 cents then. That is another way of saying that 55 cents would now be inadequate,

Mr. DAVIS. Yes, Senator Tunnell, it would be inadequate in exactly the same sense that the 40 cents was inadequate then.

Now, mind, you, I do not think you can pull things out of a hat in this economic world. I think the progress we have been making should proceed. I think it has been one of the most stabilizing factors in our economy since the minimum wage bill of 1938. Although the action of the War Labor Board was limited, we could not issue general orders, but the practical effect of it has been to bring the minimum wages in industry in the country pretty well up to 55 cents, but not entirely so.

I think the head of the BLS gave some testimony here on that subject in detail. But there has been a great progress towards the 55 cents. In other words, if I may put it that way, the War Labor Board came in and rescued the purpose of Congress in the act of 1938 by bringing the minimum wage up pretty close to a level equivalent to 40 cents.

Now, it seems to me the question before the country and Congress is, can we now proceed with that laudable purpose? And if so, At what rate? The country is still confronted with the question, At what rate? I mean that is a practical, factual question. How fast can you raise this thing without upsetting the economy, throwing people out of employment? There is a great deal of talk, gentlemen, by the economists—I don't always understand it—about the creation of unemployables. I have seen page after page using that word. As nearly as I can make out what they are saying is exactly what the Congress said in the act of 1938, and that is you should do this thing at such a rate as not to create unemployment. Now, that is a practical, factual job. We have a saying in the War Labor Board that—"Gentlemen cannot really disagree about a fact; they can only be ignorant about it."

The thing to do, if they disagree now, is to find out what the fact is, and then they cannot disagree about it any more.

Senator TUNNELL. Would an adequate wage rate have caused unemployment?

Mr. DAVIS. God only knows, Senator. The Wage and Hour Division people and their committees could give you a lot of information on that. I think anyone who followed it would say that they are very much surprised at the effects. What happened was that they started off on the 25 cents, they got to the 30 cents without any trouble, and then prices began to go up in 1941 and the 30 cents became 25 cents and 40 cents became 30 cents. So, we were in a period of great production before the War Labor Board came along and authorized it to go up to 55 cents, because labor was short and you could not buy people's services at 30 or 40 cents. But my point is, gentlemen, that from the point of view of, let us say, the farmer, the achievement of as much progress as possible in this direction is the most stabilizing thing that can be done as we go forward in this reconversion period. Those people are the people who spend most of their money on the thing the farmer produces. They do not buy diamond pins, nor automobiles even, they buy food, clothing and shelter, and if you can lift that consuming power—and I do not accept all that is said on the subject of maintaining consuming power in America—if you can lift that consuming power, it is the best stabilizer you have for the farmer, and if a farmer has got a good market the country is prosperous.

Senator ELLENDER. But, on the other hand, Mr. Davis, by increasing the cost of producing the products that the farmer needs, don't you in turn increase his cost so that the price of agricultural products must also be upped?

Mr. DAVIS. You certainly do, Senator. I said before another committee of this Senate that the trouble with price stabilization is that everybody is in favor of price stabilization, because in our industrialized economy he buys a greater variety of things than he sells; he wants a little private price regulation, so he can put up his price, but he wants other prices held, because everybody's price is somebody else's cost.

Senator ELLENDER. Yes.

Mr. DAVIS. Now, however, I think your proposition, Senator Ellender, is one in which there exists no room for controversy in this great country of ours in the present situation, and I will tell you why. I am not an economist, but it seems to me perfectly clear that where you have capable workers—and I think our workers have demonstrated in the last 5 years that they are capable workers—where you have efficient and resourceful management and they have demonstrated that they are, and you have an almost inexhaustible market for their products, and certainy that exists, you have the making of economic prosperity. You have the possibility of going ahead at this high level. The procedure to do that has only two essential steps: One of them is production, production, and production, and the other is a fair distribution of the proceeds of production among the wage earners, the managers, and the stockholders. There is no room for emotion in that at all, because the good Lord fixed it so in the field of economics that unless you make a fair, that is, an economical division of those proceeds, the whole thing breaks down. There is no room for a hog in it, because any hog will starve himself and the others, too, to death.

Now, I do not think, as I said, there is any room for the American people to get excited about that; I do not think there is any need for the present controversy. I think the rights and aspirations of the employer and employee in America today are not in any sense irreconcilable; they are perfectly reconcilable. We can go on to this high level. I say that the young people of America will never forget it if the older people stand around quarreling and stand in the way of their progress to the almost unlimited opportunities that lie ahead of them right now.

Senator ELLENDER. Now, Mr. Davis, as I understand, you agree that if we are to raise the level of the industrial worker it would also be necessary to raise the level of those who produce the food and the wearing apparel or the raw material, for making the wearing apparel of those workers—you concede that.

Mr. DAVIS. Yes.

Senator ELLENDER. If that be true and we keep that going—that is, if we increase one group we cannot do it to the detriment of others, and, therefore, we must likewise raise the levels of such groups—are we not going to reach a point where no matter if we do raise the wages that in itself does not in any manner raise the standard of living?

Mr. DAVIS. I think I follow you, Senator Ellender, and I will try to answer it. If I do not you can ask me something further. Of course,

if your wage increase adds to the cost an amount which requires a price increase in order to give the stockholder and manager his fair share, why, the wage increase will result in a price increase, and to the extent to which it does, you are taking out of the workingman's pocket through the week the money that you put into it Saturday night. So that the policy that was adopted by the Government in the President's Executive Order 9599—a policy, incidentally, that was approved by industry and management on the War Labor Board, who are pretty representative and do not hesitate to express themselves or to disagree, I can assure you of that—the policy was that they would permit now a freedom of action in collective bargaining on wages within the limits of the existing price structure. That was what labor asked for. Mr. Murray and Mr. Green had expressed themselves in those very terms the same day, although in different words. That was the policy: Let us go ahead and increase wages within the limits of the existing price structure.

Now, Senator, that is where the controversy begins.

Senator ELLENDER. And at that point, is it not that situation which prompted you, when you were with the Government, to agree to fix the 55-cent minimum that you spoke of a while ago?

Mr. DAVIS. You mean the War Labor Board?

Seantor ELLENDER. Yes.

Mr. DAVIS. No, it was not.

Senator ELLENDER. Then why wasn't the minimum made more?

Mr. DAVIS. I will tell you why. The minimum wage adjustments which finally got up to 55 cents, which first went to 45, then 50, and then 55, were always made without regard to prices. Senator Brown first, when he was the head of the OPA, and Mr. Bowles afterward, they both announced that they would allow a price increase in order to pay the substandard wage level fixed by the War Labor Board. They both took the position that we are not going to force a manufacturer to manufacture at a price which is not a decent and fair price. So it was always recognized if the minimum wage required a price increase, it was all right to go ahead and increase the price.

So it was not the effect on prices that limited us to 55 cents. That is your question, I think. What it was, was this—exactly the same thing that limited the Congress to 40 cents in 1938—we were feeling our way to see how quickly we could put that up to a decent level without unemployment.

Now, of course, we were operating in a period of great unemployment. Take the southern textile actions of the War Labor Board. I do not think the southern textile people today generally object to paying 55 cents.

Senator ELLENDER. Did you not take this position, though, in reaching the 55-cent figure, that by further upping the minimum wage you might have to raise the price of textile products?

Mr. DAVIS. We were prepared to raise the price of textiles if that was necessary. The reason we stopped at 55 cents—labor at that time was asking for 60 cents, and we stopped at 55 cents because we put a different evaluation upon the very thing that caused the labor union to stop then at 60 cents. Nobody pretended that 60 cents was enough to give a man a decent living. There was no formula, or no budget that anybody ever got up that came out as low as that. Now, that

particular union has, I think, some of the best statisticians in America, Sol Barkin and that crowd, and they had very convincing evidence that 75 cents would be required to give a minimum standard of living, but they realized then that that would be too fast.

Senator ELLENDER. But they also realized this, I presume, as you have just indicated, that if it were necessary to raise the wages higher than 55 cents, making them 60 cents or 75 cents as they were demanding, it would then have been necessary to raise the ceiling prices of various commodities that were used by these wage earners.

Mr. DAVIS. It was recognized by OPA—that is a little different question, Senator. It was recognized by OPA that the substantial increase to that 55-cent minimum level would require a price adjustment, which they subsequently made. Now, that was a combination of the Bankhead amendment plus the added pay roll cost.

Senator ELLENDER. Now, Mr. Davis, I don't ask you to go into this question unless you want to, but the newspapers attributed a statement to you, which I think you afterward denied. The statement attributed to you was to the effect that the raising of wages would not mean an increase in cost of production. I think you set a figure according to the press, of a rise in wages of as much as 50 percent. As I understand your testimony this morning, you do concede this, that by raising wages, the continuous raising of wages, you are also bound to increase the cost of production.

Mr. DAVIS. Well, I did not quite say that, Senator. I will be very glad to answer this question in some detail, and I think you and I can have a meeting of minds about it. As a matter of fact, I do not think we differ about it.

Senator ELLENDER. What I have been contending before this committee is this, that I cannot see, try as much as I can, how it is possible for us to increase and keep on increasing wages without at the same time increasing the cost of goods to the consuming public.

Mr. DAVIS. Senator, you know one of the greatest imaginative writers in the world, Edgar Allen Poe, who was also a great philospher, remarked that the truth is something which stands on its own feet and is fortunately not affected by anybody's capacity to see it. Now, you say you cannot see it, and I am not saying to you that I can see it, and I did not say in that statement that I can see it, I said I hoped for it.

Now, I want to add a word, Senator Ellender, as to what happened at that conference. I have the transcript, which has been published, if you want to see it.

Senator ELLENDER. I have always had implicit faith in you, Mr. Davis.

Mr. DAVIS. I do not want it to go out that I deny anything I said at that conference. I have made no retraction. If I had, I would be standing like Galileo and saying, "but the world is round."

I say now that this country will go forward to a level of industrial production of $160,000,000,000 to $200,000,000,000 at present prices; that in doing that we will increase our standard of living 50 percent, and that that, as a mere matter of arithmetic, means that all incomes, including wages but also including everybody's income, farmers' and everybody's, will be increased 40 or 50 percent. That is not my figure—I would rather say 30, but that was Fred Vinson's figure in relation to prices.

To come right to the point of answering your question, the way it is done, Senator, is by an increase in the skill of the workmen, an increase in the resourcefulness and skill of management, an increase in the productivity of investment. I am a patent lawyer. I have been working, since the turn of the century, devoting my whole life to work on technological improvements that have resulted in such an increase.

In 1939, as it happens, the standard of living figures—that means the BLS index, and you know what that means——

Senator ELLENDER. At least I think I do.

Mr. DAVIS. Well, it has a technical meaning, in a way, and I am sure you know about it.

Now, their figures on the price of living were almost exactly what they were in 1944. The straight-time average earnings of wage earners in American manufacturing—and that is the true measure of the price of labor—were a little more than double. So, in that period this country of ours doubled its standard of living measured in that way, and I think they are going to do it again.

Senator ELLENDER. I believe, as you have stated, that it is feasible, but the point I have made is that we must start from the bottom and take care of all groups. We cannot single out any group unless we do violence to others. In other words, you cannot elevate the standards of living of a particular group without also taking with that group the groups that you are going to penalize. In short, care must be taken that all groups are provided for, be they the farmers, the small businessmen, white-collar employees, or what not. My contention has been if we attack the problem from another aspect, that is, by reducing our cost of production, we can attain as high a standard of living just as well, and in so doing we can then put ourselves in a better position to compete for foreign trade, and by doing that we can provide more jobs for our people. Now, what is wrong with that?

Mr. DAVIS. Senator Ellender, you are quite right in saying you could achieve this result, which I say is the destiny of America—you can achieve it, as you say, by reducing prices or by increasing wages, or by mixing both, and usually it is done by a mixture of both. I just do not think, Senator, we are going to increase the buying power of a dollar represented in goods when we owe 300 billion of them. I do not know any more about it than the man on the street, but it is my guess that there will be no general reduction in the general level of prices. In other words, I do not think we will have a dollar of increase in value when we owe 300 billion of them.

Senator AIKEN. Mr. Davis.

Mr. DAVIS. Yes, Senator Aiken.

Senator AIKEN. If we had to offset Senator Ellender's theory that an increase in wages would be equivalent to an increase in price of consumer goods, we might also assume there has been no improvement in production, in transportation, processing, and distribution. If there have been no improvements in those factors, then I agree it is true that an increase in wages would be accompanied by approximately an equal increase in cost. However, that is not true. We have made tremendous strides in improving production, transportation, processing, and marketing methods, and that being the case, an increase in wages simply means it is going to furnish work for a lot

more people to produce the goods that they can buy with the increased wages.

I personally believe if we permit the purchasing power of our Nation to fall that it is going to be the farmer and not the industrial worker that is going to be hit the hardest, and it is the dairy farmer, whom I am best acquainted with, that is going to be hit first, because the first thing they are going to cut in their diet is milk.

Mr. DAVIS. There has been a report put before this committee by the Bureau of Agricultural Economics, which must have been published in June or July in which that very point is made, Senator Aiken, in which they are a little apprehensive about that, and in which they say that the only salvation for the American farmer is a high level of industrial wages.

Now, Senator Ellender, if I may follow a little further on my answer, there was an editorial published in one of the leading metropolitan journals when this subject was under discussion and the editor made the remark that really paraphrased the first assumption in what you said. He said wages are the principal item in cost, which, of course, they are, and therefore, he said, whenever you increase wages you must make a corresponding increase in prices. Well, 2 or 3 days later, the Standard Oil Co. of New Jersey came out and announced that they were going to increase their wages 15 percent and they did not want a price increase. I suggested that somebody put those two statements of economic philosophy side by side in parallel columns and ask Mr. Gallup to take a vote of the American people and ask them, "Which of these philosophies do you think is correct?" I say that they would get just about a 100-percent vote for the Standard Oil Co.'s philosophy, not because the American people know the economics of the situation but because they are shrewd enough to see that the Standard Oil Co. is paying for its economic philosophy and the editor is getting paid for his, and they are smart enough to guess who is right.

Senator ELLENDER. Now, Mr. Davis, at that point I have an instance in my own State that came to my attention yesterday. We have a sugar factory in Louisiana that produces raw sugar and its capacity is 2,900 tons of raw sugarcane in 24 hours. We have another factory that has a capacity of 1,000 tons of raw sugarcane per 24 hours. Now, in terms of cost of production, the factory that processes 2,900 tons of raw sugarcane per 24 hours employs only 10 men more than the factory that processes 1,000 tons per 24 hours. Now, if you base the production cost of those two factories in terms of the cost of labor, cannot you see that the factory that processes at the rate of 2,900 tons per 24 hours with only 10 people more than the factory that processes 1,000 tons per 24 hours, that the factory that has that smaller production is at a great disadvantage to the factory which has the larger production? And might that not also be said of the Standard Oil that you have mentioned? It might cost so much to crack oil in a certain size factory of so many barrels capacity, but if that factory is increased three or four or five times, you might be able to operate it with but 10 percent more employees, and therefore the unit cost of production is reduced, not because you have more efficient labor, but because you have a larger plant and can turn out more goods with less labor. The same might apply to other endeavors, even farming.

Mr. DAVIS. Senator, the first part of your statement is really a reflection about a competitive society in which lies the real explanation of the reason you can increase wages without increasing prices, because competition comes in. People get hurt in competition sometimes, but the thing goes on. I do not think we want to abolish it.

Now, the other part of it, about the Standard Oil Co., on account of its bigness, being able to pay this wage; I do not think so, Senator. I happen to have spent a good part of my life representing other oil companies than the Standard Oil Co. in the field of patents and so forth, and they think, at least, that they can produce gasoline cheaper than the Standard Oil Co. I don't know.

Senator AIKEN. Mr. Davis, the answer to Senator Ellender's problem is to make sure that we have full employment, because when everybody is busy then small industry and small farmers both get by and sometimes profit. When there is not enough work, enough business to go around, big business gets it or the big farmer gets it.

Mr. DAVIS. A friend of mine wrote to me and enclosed a clipping from a letter that a friend of his had written to him about me. I know quite well why he cut this remark out of the letter. I am sure he would not want me to see the entire letter, but he said, "Does this idiot think that there are 60,000,000 jobs in America?" I said, "I don't know, but why does this fellow get excited about it? There is nothing to quarrel about."

The best statistics I have—and they have been checked and rechecked by the best people in Washington—are that in the fall of this year there will be available in America 61,000,000 and some-odd willing and capable workers looking for jobs. I do not regard that as a calamity; I think it is an asset; I think it is our greatest asset. To waste it, I say, to so conduct the economy that you are wasting 10 to 15 percent of that asset is simply ridiculous. It will not be done. The people will not permit it again for any considerable period of time.

Senator AIKEN. I think the situation was best expressed by a farmer in my State to whom I was talking. He said: "I notice when I cannot get enough help I always make money; when I get all the help I want I cannot break even."

Mr. DAVIS. That is right. Wages are always highest when business is good, of course; and production is at the bottom of it all.

I would like to close. You have been awfully nice to me, but I would like to close with this, Mr. Chairman——

Senator TUNNELL. We don't want you to close.

Mr. DAVIS. All right. I want to get this in there. I say there is nothing for the American people to fight about. They have got, lying ahead of them, the opportunity to make the greatest contribution to progress that you have ever seen in the world. Their duty, their assumed obligation to the rest of the world, is to go ahead and use these assets. They ought not to quarrel about it, because there is plenty of pie for everybody if you go ahead and produce.

Senator TUNNELL. When you say that the raising of wages must necessarily raise prices of everything in proportion, aren't you assuming that everything is properly adjusted between every class of producer and worker, and so on? Now, my recollection is that in the war period profits increased about 5 or 6 times, while, at the same time, a large class of people were getting inadequate wages; in other

words, there are a number of persons who are not earning enough to live on, and yet there are others who are paying perhaps a 95-percent income tax. There is not the perfect adjustment which enables us to say that a rise in price of one commodity will raise the price of everything.

Mr. DAVIS. I think I agree with all of that, Senator Tunnell. I perhaps would put it this way: Now, there is never any direct relationship, but if prices need to be increased to fairly cover the added cost of bringing substandard wages up to a decent standard, I am in favor of taking the increase in price, for the very reason you have in mind, and spread it over the community where it belongs. The social economist, not so long ago, believing in the law of supply and demand, and not understanding it perhaps, was content to regulate the supply of labor by starving the laborers that were not necessary at the then existing level of industrial production. We have come a full cycle from that theory of economics, if you call it economics. I think it is no more than Christian ethics, but we have come to it, the economists have come to it, that that is not the way you would regulate the economy, that what you would do is make an endeavor to utilize to the full your available resources. No country in the world has anything like the resources we have, and there is no reason why we should not use them, and among those resources is the labor of 61,000,000 people in industry.

Now, I am an elderly gentleman—at least I am elderly, and I would prefer to take a rest. I do not want $160,000,000,000 worth of gadgets, but the young people of America do, and the boys that are coming back from the fronts do, and they are not coming back with any idea of asking for charity, in my judgment. They know their way around; they know the possibilities. I am no prophet, but I think they are just going to insist on them, and I think they will get them.

Senator ELLENDER. Mr. Davis, do you think that the Wage and Hour Act of 1938 was given a fair trial, in view of the fact that the war came in 1939?

You indicated a while ago that although Congress did not believe that the 40-cents-per-hour minimum was enough, yet you say that Congress spread this increase from 25 cents to 40 cents over the period of 7 years because of the fear that was in the mind of Congress that by increasing it too fast we might disrupt industry and cause unemployment. Now, in the light of that, will you please answer the question I just asked?

Mr. DAVIS. I believe it is perfectly obvious, Senator, that it got a less thoroughgoing test than it would have gotten if the value of the dollar had remained stationary. After all, this is a big world, and, as Senator Tunnell pointed out, there is no such thing as even distribution. We know it did not do anybody any harm, it did not do the producers any harm. They will agree with us, I think.

Senator ELLENDER. The reason for that was the impact of the war.

Mr. DAVIS. Not altogether, Senator.

Senator ELLENDER. Well, I think you will concede this: The war in Europe started in 1939, and although the minimum wage under the Wage and Hour Act was raised from 30 to 37½ cents after the first of the year, as I recall it, the fact remains that the cotton mills throughout the country had abundant orders from across the seas in preparation for the war, and of course that took out a lot of the shock.

I asked the Secretary of Labor, Mr. Schwellenbach, a few days ago, whether he thought that a rise of 62½ percent from the legal rate fixed by law for the first year was a fair upping of the legal rate, in the light of the President's message to Congress, that he favored a reasonable rise, and he said, "Yes."

What is your view on that?

Mr. DAVIS. Well, I would say "yes," too.

Senator ELLENDER. You would say what?

Mr. DAVIS. I would say "yes," too, for this reason: The 55 cents is now the equivalent of 40 cents, and it has pretty generally been attained. I think Secretary Schwellenbach pointed that out.

Senator ELLENDER. Yes; he did.

Mr. DAVIS. So you start with the situation where we know pretty well that the 55-cent minimum is equitable, it is in accordance with the purpose of Congress, and it would not cause any disturbance. Now, the question is, would 65 cents——

Senator ELLENDER. Now, wait a minute. At that point, though, the reason for that was, as I conceive it, we had full employment because of the war—many industries vied with each other for labor. Our Government bought 50 percent of what industry produced, and it could look ahead. On the other hand, according to your own statement, from 1939 to 1944, a period of 5 years, we raised minimum wages from 40 cents to only 55 cents, or 37½ percent. That is what we did, wasn't it?

Mr. DAVIS. Yes; but not quite in that period. It was from June 1942 to 1944.

Senator ELLENDER. But from 1939 to date, with full employment, you raised it 37½ percent, assuming I am right, and I think I am.

Mr. DAVIS. I do not know about that, Senator. I don't know what you have reference to.

Senator ELLENDER. I remember, because I attended a committee meeting in New York.

Mr. DAVIS. Talking about textiles?

Senator ELLENDER. Yes. I think on that committee, although the South produced about 80 percent of textile products, they had about two representatives out of about 30 to 50.

Mr. DAVIS. They ought to have brought it up before Congress, Senator.

Senator TUNNELL. They did not get behind much, did they?

Senator ELLENDER. No, they did not, because of the European orders, as I pointed out a while ago.

The point I want to stress with Mr. Davis is this, if you will be kind enough to answer: The facts remain, however, Mr. Davis, that irrespective of what period the increase occurred—my recollection is it was from about 1939——

Mr. DAVIS. Very likely.

Senator ELLENDER (continuing). To date or 1944, that we raised minimum wages 37½ percent. In other words, from 1939 to 1944, the War Labor Board saw fit to raise minimum wages only to 55 cents, or 37½ percent from what they were in 1939.

The bill under discussion seeks to do this, as I understand it: It seeks to raise wages from the standard that Mr. Schwellenbach states is the standard now, that is, 55 cents, to 65 cents the first year, to 70 cents the second year and to 75 cents the third year, all in a period of

3 years. With no indication as to what the future holds out, some are proposing to raise the present 55 cents in the space of 3 years to a rate that will be over 36 percent. Do you think that is a fair increase of the minimum wage? Will industry be able to absorb it in such a short period?

Mr. DAVIS. May I first give you my refreshed recollection about the textile wages?

Senator ELLENDER. Yes. State it as you understand it, sir.

Mr. DAVIS. As I recall it, the War Labor Board, the Mediation Board, gave a 7½-cent increase in textiles in the South in 1941, and the prevailing wage was around 30 cents, although there were a good many below that. Then, it was later raised again by the War Labor Board, and, finally, the third time, to 55 cents. I think that is it.

Now, to answer your question, which is a quantitative one, Senator, that is the jump from 55 cents, which is really the prevailing wage now, to 65 cents at once and then 5 cents a year the next 2 years will be too rapid?

Now, I think that is a very pertinent question. If I knew the answer I certainly would help this committee in any way I could, but I doubt whether there are experts who know the answer. The people who can make the best guess about that are people like Mr. Hinrichs, of BLS, who has the statistics, and Mr. Walling, of the Wage and Hour Division, and his people, and the people who sat on those committees whom you remember. They have really studied it. Now, I think that is where this committee should get the detailed information, because you gentlemen are going to have a very important decision, as I see it, and that is whether 65 cents is the right amount to start with and whether it should go up 5 cents a year, or how much of that you should leave to the judgment of the individual committees. I think those committees work splendidly, and I think you could afford to leave some discretion there to the individual committees.

Senator ELLENDER. Mr. Hinrichs was on the stand, and I asked him a few questions, not exactly in the language that I asked you but along the same line. He took the position, as I recall it, that higher wages would accomplish much good in raising the standard of living, but he is not sufficiently qualified to tell us what effect such a course is going to have on the groups below that may be disturbed by that.

Mr. DAVIS. There is no group below these people.

Senator ELLENDER. I mean, as I pointed out, the one-horse farmer, the small manufacturer who has from 5 to 15 employees, who cannot afford to install these labor-saving devices, or cannot make goods in large quantities, and whose per unit cost is greater, as you know.

Mr. DAVIS. I see.

Senator ELLENDER. I could testify as to the most marvelous living conditions that will exist as to those of our laboring men who are given a minimum of $2,000 per year—that is fine, but if you forget about the disturbance and the dislocation you are going to cause to the group below that produces for those people that you are trying to help, you may find yourself with a plan that will not accomplish your purpose. In other words, as I pointed out a while ago, unless we also help those who produce the raw materials, the people in the group you are trying to help will not get the clothing and food that they need, even though they have the money. That, to me, is one of the disturbing factors.

Mr. DAVIS. I do not think it need be, Senator. There is no need in America to forget anybody.

Senator ELLENDER. That is right. But are we not forgetting many groups when we protect a particular group?

Mr. DAVIS. You can take all the people into account, and you do not have to have any real quarrel about it. Men are selfish. Each one thinks he ought to get a little more, but with a little patience and tolerance we can work it out.

Senator ELLENDER. I am confident of that, but we always come back to the same place where we were before. If you raise the wages of a certain group and you also permit the rise of the production costs of the lower group which means higher living costs you find yourself in the same boat. Your dollars buy less and conditions are not improved.

Mr. DAVIS. Secretary Schwellenbach said, in answer to that question: "Industry always finds a way." I would put it a little differently. I would say "America has found a way in the past." Right now, just as soon as we get into production and in a position to make rapid progress, we will be in that path.

Now, I can understand how a manufacturer, especially the small one that you speak of, is apprehensive today—even the big one—but they have got to go ahead. I think the trouble is, Senator, that everybody thinks they know the answer and each one is likely to be selfish. What we need in this country is courage to go ahead and the humility to realize that no one of us knows the answer; we have got to experiment and learn from experience.

Senator ELLENDER. I agree with you thoroughly, Mr. Davis, but here is what we are doing at the moment. We are taking care of a special group by law without in any manner attempting to take care of the groups that are going to be disturbed. We are doing violence to some who may have no other recourse than to close their businesses. That is the point I am trying to make.

Mr. DAVIS. You always have to do that.

Senator ELLENDER. What is that?

Mr. DAVIS. It is only God who could pass a law that would fix everything in one law. You have got to take it one at a time.

Senator ELLENDER. All of that may be true, but we certainly got along splendidly without going too far out of the way to help certain groups. I, for one, am willing to help, but I am not willing to help by law to the extent that I think it will destroy some of the members of other groups. Now, if we could write out a bill here that would take care of all groups that will be disturbed by virtue of this proposed law I would not be quarreling, I would not say a word, but we are not doing that.

Mr. DAVIS. Senator, you say we have gone ahead splendidly, and you also bring up these matters of balance, which are very real, but we are talking about the substandard group in industry. Now, there are substandard groups in agriculture that ought to be talked about, but not in this bill. I say our splendor is tarnished as long as we have willing workers, capable people who cannot make out of an honest day's work enough wages to live on. There is no necessity for it. This is a splendid country, but until you wipe that stain off the shield I say its splendor is tarnished, and unnecessarily tarnished.

Senator ELLENDER. I agree with you thoroughly, Mr. Davis; I am

not taking issue with you on that point. I have been in politics now for over 30 years. I was in the Louisiana Legislature for 12 years and served 8 of those when Huey Long was in power in Louisiana. You heard of him.

Mr. DAVIS. Yes.

Senator ELLENDER. I worked with him and helped him to the extent of my ability. I would say, there is no State in the Union that has made greater progress toward helping the so-called common man than Louisiana has done. I have been an advocate for the so-called common man all my life, and I want to continue to be. As I have indicated on two or three occasions before this committee, before we take steps in a direction that might cause unemployment rather than continued employment, we ought to give the subject the most thorough consideration. That is one of the most crucial phases of the problem. Many small businesses, such as in lumber production, small businesses that employ from 5 to 20 persons, where hand work prevails, I can see much damage to them. Such business may be absorbed by large business. Small farmers will be compelled to pay more for labor and will not be able to compete with large farmers who are able to buy labor-saving machinery.

If Congress, back in 1938, saw fit to give a leeway of 7 years in which to raise a minimum wage of 25 cents to as high as 40 cents and here you are attempting to do it in 3 years with a much greater percentage rise, I just cannot see it. Especially in view of the fact that with the war over and a number of strikes facing us now all over the country, and no doubt with full employment not in the cards, as I can see at the moment. I fear it will result in more disruption of business than some are willing to admit.

Senator TUNNELL. I will just remind the Senator that 3 years is a long enough time to starve.

Senator ELLENDER. Nobody will ever starve in this country.

Senator TUNNELL. I will just call your attention to the 1931 crisis.

Senator ELLENDER. Everybody was in a mighty poor state then but nobody starved. Cotton was 4 cents a pound, wheat 30 cents per bushel, and other farm products similarly low.

Senator GUFFEY. Our country had no vision. We are planning now for the future. Until you plan something for the future, you are going to have trouble.

Senator ELLENDER. I agree with that, Senator, but when we start planning for one group let us not do so to the destruction of other groups.

Senator TUNNELL. Do you think there should be a great number of exemptions now?

For instance, this morning I had some communication from a concern in Michigan that claims that they should have exceptions for boys on part time, and boys that they are training for expert work, and that any rigid law fixing a minimum would strike them wrongly.

Mr. DAVIS. I am glad you asked me that, Senator, because the answer is "Yes." Any wage contract needs to have carefully drawn exceptions for workers who are not capable of full-time work or a full output of work. For instance, the order of the War Labor Board, if you get it and read it, on this 55-cent minimum in the textile

industry, makes a provision for an exception of trainees, I think. I do not know just what is excepted, but there are always certain groups that are excepted. Now, the danger there is that under the pressure of selfish interest the employers would like to put everybody in the excepted class. The exceptions should be carefully drawn. They are drawn by the Department of Labor and ought to be under the administration of some of the labor laws. The minimum wage law and this law itself make such exceptions. There is a well-developed definition of such exceptions which this committee could use, as long as you watch out and see that somebody does not slip something over in the definition, so that they make an exception of full-time workers.

Senator TUNNELL. Could you give us that order?

Mr. DAVIS. Yes, sir; I will be very glad to. Shall I put it in the record?

Senator TUNNELL. I wish you would.

Mr. DAVIS. I will be very glad to.

(See exhibits A and B, pp. 164, 165.)

Senator ELLENDER. Mr. Davis, one more question that I just thought about. As I understand it, the pending bill changes the present law considerably in respect to exceptions and exemptions. Are you in a position to state to us whether or not you think that the present law ought to be in any manner changed in respect to the exceptions and exemptions that exist in it?

Mr. DAVIS. No, I am not, Senator. I do not know that I am particularly qualified, but if the committee would like to have me to look into that and write that out, I would be glad to do it.

Senator ELLENDER. Mr. Davis, you have had a lot of experience with that, and I am sure the committee would appreciate your preparing a memorandum if you have time and give us your views in that respect.

Mr. DAVIS. Are you going to pay my fees, Senator?

Senator ELLENDER. I think that would be feasible.

Mr. DAVIS. Well, of course, I do not mean that. I will be very glad to do it. I will suggest, if I may, Mr. Chairman, I will get a copy of this War Labor Board order and then I will accompany it by a memorandum referring to the provisions in the proposed act, an old act, and give you my opinion on it, for what it is worth.

Senator ELLENDER. And give us your views as to the feasibility of such changes from the old act as compared to those provided for in the bill under consideration.

Mr. DAVIS. Yes.

Senator TUNNELL. I think that will be fine.

Mr. DAVIS. I am very much obliged to you, Senators.

Senator GUFFEY. We used to have the child-labor problem in the blast furnace industry. We have raised the age limit to 16 years, and that is when they started to make money.

Mr. DAVIS. Senator, the first job I ever had was in the steel business, of which my father was a member. I worked as a sweeper in a steel plant. The regular scheduled hours were 12 hours a day, except Sunday, and 18 hours on Sunday, to swing the shift. My father was a kindly sort of person. When I said, "People ought not to work like this," because I was only a kid, and when I got home I just dropped into bed, and he said, "What are you going to do? You can't run

the steel industry on less than 12 hours a day." I said, "Why can't you run it on 8 hours." He nearly dropped dead. He said, "How can you run the steel industry on 8 hours a day?" I bring that up as a personal story, because that is a fine illustration. The people who said that you could not possibly afford to operate the steel industry on an 8-hour shift, three shifts a day, instead of a 12-hour shift, two shifts a day, were perfectly sincere, and their statisticians and their economists had all the figures and they really believed you could not do it, but finally the considerations of common decency led them to do it, and, goodness knows, they have done very well. None of them would go back to the 12-hour day if they could.

Senator GUFFEY. You recall in the blast-furnace industry it was 12 hours a day 7 days a week. A philanthropic man in the steel organization gave a friend of mine the job to investigate it for 9 months, and when he got through he made a report the result of which was they adopted the 8-hour day 6 days a week and they made money in the blast-furnace industry.

Senator TUNNELL. All right, thank you, Mr. Davis.

(The material submitted by Mr. Davis follows:)

EXHIBIT A

PENNIE, DAVIS, MARVIN AND EDMONDS

COUNSELLORS AT LAW

New York 17, N. Y.

WASHINGTON, D. C., *October 2, 1945.*

Mr. CHARLES KRAMER,
Committee on Education and Labor,
U. S. Senate, Washington, D. C.

DEAR MR. KRAMER: When I appeared before the subcommittee considering S. 1349 on Friday, September 28, I testified that the orders of the National War Labor Board in the textile cases in February 1945 excepted learners, and handicapped persons from the minimum wage rate of $0.55 per hour. I was asked to supply copies of those orders. I transmit a number of mimeographed copies herewith. The provision as to learners and handicapped persons is in paragraph 1 of each order.

I was also asked by the subcommittee to comment upon the provisions of S. 1349 as to persons excluded from the provisions of sections 6 and 7.

The extent of these exceptions is not a matter to which I have given any particular study. I do not think my testimony on the subject would be as helpful to the committee as the testimony of Mr. Walling, for instance, or anyone who has had direct experience with the operation of the Fair Labor Standards Act of 1938 as it applied to such exceptions.

As I understand it, the principal amendments to section 13 of the old act, proposed in S. 1349, have to do with employees engaged in the handling and packing of fish and in the handling and packing of agricultural products. The lines that should be sought for in these fields are lines which separate occupations which are truly fishing operations or agricultural operations from occupations which are really industrial operations. It seems to me that it is fairly easy to draw this line of separation in fishing.

The drawing of the line in the field of agriculture will get the committee, I am afraid, into the middle of the long-standing dispute as to where agricultural labor ends and industrial labor begins. That situation is now completely confused. The confusion has been lifted almost to the level of the fantastic by the Lea amendment to the War Labor Board appropriation bill. I do not think Congress can expect to legislate wisely in this field by riders to appropriation bills. It is my judgment that the question should be frankly faced and a legislative definition of agricultural labor adopted which will be appropriate for all legislation by which agricultural labor is affected.

Sincerely yours,

WILLIAM H. DAVIS.

EXHIBIT B

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For release in morning papers
of Wednesday, February 21, 1945

B–1963
Textile

(Cleared and released through the facilities of the Office of War Information)

The National War Labor Board today completed its decision in the disputes involving 23 southern cotton textile companies, 25 New England cotton and rayon companies, and 6 New York and Pennsylvania rayon companies. The Textile Workers Union of America, CIO, is bargaining representative for the more than 50,000 employees covered by the 3 decisions. Industry members dissented to the order.

"The Board in these three textile orders is not only raising these substandard-of-living wage rates for the sake of the workers involved but is striving to increase production in a critical war industry," Chairman William H. Davis stated. "Its products are desperately needed by the armed services and civilians in quantities larger than the industry is able to produce because of manpower shortages.

"All carefully developed budgetary studies show the need for a minimum hourly rate higher than we have ordered in this case, but the Board must use its best judgment as to the extent to which substandards of living in dispute cases can be corrected without creating unstable employment conditions. The Board's orders in those cases take area and industry conditions into consideration. The orders are so reasonable that they could not be disruptive to employment relations or upsetting to competitive relationships.

"The 'guideposts' fixed by the Board in this order for use by the parties in negotiating a properly alined wage structure are based directly upon wages now being paid for various occupations in the 3 regions involved in those cases. They are, therefore, not uniform for all regions. In fixing these 'guidepost' rates the Board thoroughly analyzed the wage rate structure for each major job classification in the 54 companies involved in the 3 cases. The 'guidepost' rates for each area were established in relation to the wage rates actually paid by the companies in each area which had already developed a properly balanced wage rate structure. In this way the Board made certain that it was not departing from its long-established policy of not eliminating established geographical differetials."

The Board ordered that negotiations on rate schedules in each plant should commence immediately, and it placed in effect all provisions of the three orders which do not involve compensation to employees.

Provisions of the orders which affect compensation to employees, however, were stayed by the Board "pending further order of this Board, which will be issued as soon as the questions of procedure regarding price relief (or production costs in cases involving procurement agencies) now under discussion between the Economic Stabilization Director and the Board have been resolved."

Each of the three textile orders contains major provisions:

MINIMUM RATE

A minimum rate of 55 cents an hour was ordered in a "move toward the correction of substandard living" under the Board's statutory duty in all dispute cases to "provide for terms and conditions to govern relations between the parties which shall be fair and equitable to employer and employee under all the circumstances of the case."

The union had requested that the minimum rate be raised from 50 to 60 cents.

The Board heretofore generally has applied 50 cents an hour as the substandard minimum to the extent that employers are authorized to raise wages to 50 cents an hour without applying to the Board for approval.

The Board found that the cotton textile industry pays the lowest wages of any basic manufacturing industry in America, the average hourly earnings being 64.6 cents which is the lowest of the 134 manufacturing industrial groups shown in a survey by the Bureau of Labor Statistics for September 1944. The three industrial groups with average hourly earnings below cotton textiles were all

nondurable goods industries: Cottonseed oil, 63.3 cents; work shirts, 55.2 cents; and handkerchiefs, 62.8 cents.

The Board pointed out that cotton textiles is an industry where efficient operation is essential for the effective prosecution of the war and that the low wages now paid in the industry prevent the industry from meeting its wartime production schedules.

FIVE-CENT INCREASE IN HIGHER RATES

Having raised the minimum rate to 55 cents, the Board found it necessary to increase all rates above the present 50-cent figure by 5 cents an hour in order "to keep the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency." It found that the wage rate structure is compressed close to the 50-cent minimum, due to gradual increases in minimum rates over a period of years and failure in the past to keep the proper differentials between jobs above the minimum.

The Board's orders in the southern and New England cases stated that "further narrowing of wage differentials between job classifications above the minimum is incompatible with the maintenance of productive efficiency in the manufacture of cotton textile goods so vital to the prosecution of the war and to the civilian economy." In most of the southern companies, the order added, the present narrow differentials are "an important factor in causing the present critical shortages of war and civilian textiles."

WAGE RATE RECLASSIFICATIONS

Each company and the union were directed "to establish through collective bargaining a more balanced and properly alined wage rate structure in which the rates for semiskilled and skilled employees provide a reasonable differential above the minimum rate."

Different sets of "guideposts" are fixed for the three cases. The lowest guide rate in the southern and New York-Pennsylvania cases is 55 cents an hour for common labor, while the lowest in the New England case is 57 cents for scrubbers and sweepers (a few employees in the New England mills receive a rate below the scrubber-sweeper category and thus are affected by the minimum rate). The top "guidepost" (for loom fixers) is $1.02 in the New England and New York Pennsylvania cases, while it is 90 cents in the southern case.

"Guidepost" rates for certain key occupations were set forth in the orders in order to insure a proper alinement of the wage schedules in the negotiations between the parties. These key-rate guides were not identical in all three cases because they are based on the area rates.

Special panels will be established for the textile cases to review the wage classification schedules negotiated by the parties and to draft schedules for those unable to agree. The panels will review the schedules to make certain they do not violate instructions of the Board. The adjustments made under the reclassification cannot be general across-the-board increases but must be bona fide adjustments to eliminate inequities in the internal structure of the plant, the order specifies.

As respects the reclassification adjustments, the order explained, "little or no increase will be needed in some plants where wage rates are now in a sound relationship." In others, where most rates are now close to the minimum, greater adjustments will be required, but in the southern and New York-Pennsylvania cases these are not to exceed an over-all average increase of 5 cents an hour, computed for the total number of employees of the company. In the New England case, rates set forth in agreements between the union and the Fall River Textile Manufacturers Association are to be used as a guide in negotiating rates between the "guide posts" provided in the order.

The parties were directed to negotiate the establishment of a daily guaranteed minimum for job classifications operated on a piece or incentive basis.

RETROACTIVE PAYMENT

The Board ordered a retroactive payment equal to 5 cents per hour dating from October 1, 1944, unless otherwise agreed by the parties.

OTHER PROVISIONS

In the southern case, a premium of 5 cents an hour was ordered for work on the third shift, effective as of the date of the Board's order. The union had requested a 7-cent differential in the southern case, but this was not an issue in the other cases.

For 11 southern companies in which vacations was an issue, the Board ordered 1 week's vacation with pay for employees with 1 year of service unless a more liberal plan was contained in an expired contract in the company involved. The vacation allowance is to be computed as 2 percent of the individual employees' total earnings during the previous year, and the employees are to receive vacation pay in lieu of vacation time off if the company "requires their services in the interest of war production."

The Board's orders are attached.

NATIONAL WAR LABOR BOARD

In the Matter of 23 Southern Cotton Textile Companies and The Textile Workers' Union of America, CIO. (Cases Nos. 111–5110–D, 111–6308–D, 111–5822–D, 111–2527–D). February 20, 1945.

DIRECTIVE ORDER

By virtue of and pursuant to the powers vested in it by Executive Order 9017 of January 12, 1942, the Executive orders, directives, and regulations issued under the act of October 2, 1942, and the War Labor Disputes Act of June 25, 1943, the National War Labor Board hereby decides the dispute between the parties and orders that the following terms and conditions of employment shall govern the relations between the parties:

(1) The National War Labor Board may authorize wage increases "clearly necessary to correct substandards of living." The Board has the responsibility in all dispute cases to "provide for terms and conditions to govern relations between the parties which shall be fair and equitable to employer and employee under all the circumstances of the case." In view of those considerations, the Board has determined to move toward the correction of substandards of living in these cases by specifying a minimum wage rate of 55 cents per hour for all employees, except learners and handicapped persons.

(2) In connection with wage adjustments to eliminate substandards of living, adjustments in immediately interrelated job classifications may be ordered to the extent required to keep the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency. Such adjustments above the minimum are normally tapered. The Board finds in the present cases that further narrowing of wage differentials between job classifications above the minimum is incompatible with the maintenance of productive efficiency in the manufacture of cotton textile goods so vital to the prosecution of the war and to the civilian economy. Until such time as more balanced wage rate differentials are established, as set forth in section 3 below, it is necessary to maintain at least the existing differentials above the new minimum of 55 cents. A wage increase of 5 cents per hour is provided, therefore, to all employees involved in these cases who are classified in occupations for which the heretofore prevailing rate is more than 50 cents per hour.

(3) The Board finds that in the wage rate structures of most of these companies the differentials now provided between unskilled, semiskilled, and skilled occupations are too narrow for the maintenance of efficient production and are an important factor in causing the present critical shortages of war and civilian textiles.

The Board directs the company and the union to establish through collective bargaining a more balanced and properly alined wage rate structure in which the rates for semiskilled and skilled employees provide a reasonable differential above the minimum rate. The following procedures are established for the bargaining of the parties.

(*a*) As guideposts, the following wage rates shall be established for the designated key occupations:

	Cents per hour
Common labor	55
Card tender, picker tender, spooler tender	61.5
Doffer, spinning	68.0
Weaver, plain, automatic	75.0
Loom fixer	90.0

If, in a particular case, one of the above job classifications is wholly or partly compensated on incentive or piece rates, the applicable guidepost specified above shall be deemed to refer to average straight-time hourly earnings, and the

piecework or incentive rates shall be fixed by collective bargaining to yield average straight-time hourly earnings not less than the rates as indicated above.

(*b*) In cases where the job content of the above-designated key occupations in a particular plant constitutes an abnormal variation from generally prevailing standards of job content in the industry, the parties shall establish wage rates for those occupations which take into account such abnormal variation.

(*c*) The wage rates for job classifications not listed above shall be bargained by the parties in proper relation to the wage rates for the designated key occupations.

(*d*) The reduction of an out-of-line wage rate shall not be effective to reduce the wages of present incumbents.

(*e*) For job classifications operated on a piece or incentive basis, the parties shall bargain the establishment of a daily guaranteed minimum.

(*f*) The extent of wage adjustments required to establish a balanced and properly alined wage-rate structure will vary between the companies. On the basis of the record in these cases, little or no increase will be needed in some plants where wage rates are now in a sound relationship. There are other plants, however, where most wage rates are now close to the minimum. In order to limit the extent of change required of such companies, it is specified that the maximum increase for any one company under section 3 of this order shall not exceed an amount equivalent to an average of 5 cents per hour for all its employees covered by this directive order.

(*g*) The wage-rate adjustments provided for in section 3 cannot be general across-the-board wage increases, and any such general increases will be disapproved.

(*h*) The Board expects the parties to begin their negotiations on the adjustments to be made under section (3) promptly, to negotiate in good faith with a view to carrying out the intent of section (3), and to bring the negotiations to a reasonably expeditious conclusion. The panel to be appointed by the Board will stand ready to assist the parties in carrying out their respective obligations set forth above. If either party believes that the other is interposing unwarranted delay, it may bring the matter to the attention of the Board and ask for appropriate redress.

(4) Agreements reached between the parties for a balanced and properly aligned wage rate structure in conformance with section 3 above shall be transmitted for approval to a special panel to be established by the National War Labor Board in consultation with the appropriate regional boards. If agreement is not reached by the parties, the matters in dispute shall be referred to the special panel for determination. Any appeal of the parties from the rulings or decisions of this special panel shall be made to the National War Labor Board.

(5) Section 3 of this order shall not apply to the seamless hosiery departments of the Durham Hosiery Co., nor to the bag mill, the full-fashioned hosiery mill, and the printing plant of the Golden Belt Manufacturing Co.

(6) (*a*) The company shall provide 1 week's vacation with pay to each employee who has been in the employ of the company for 1 year. Vacation pay for each employee shall be equal to 2 percent of his total earnings during the previous year. Provided, however, that if the previous contract provides vacation pay or eligibility requirements more favorable than the foregoing provisions, the previous contract provision in such respect shall prevail.

(*b*) The schedule of vacation weeks shall be specified by the company after due consideration of the desires of the employees, as expressed through the union.

(*c*) The vacation period shall be provided to eligible employees except as the company requires their services in the interest of war production. In such event the employees shall receive the designated vacation pay in addition to the regular pay for the period worked. The company shall consult with the union on the need of working during the vacation period; and if the company shall conclude that time off cannot be provided, it shall notify the union to that effect.

(*d*) This section of the order (sec. 6) shall apply only to the following companies: Anson Manufacturing Co., Alabama Mills, Chadwick-Hoskins, Dallas Manufacturing Co., Entwistle, P. H. Hanes Co., Jewell Cotton Mills, Lincoln Mills, Mary Leila Cotton Mills, Wade Manufacturing Co., and Highland Cotton. These are the companies in which the issue of vacation was in dispute.

(7) A premium of 5 cents per hour shall be paid for all hours worked on the third shift.

(8) (*a*) The effective date of the vacation provisions (sec. 6) shall be the date of the expiration of the previous contract or, in the event of no prior contract, the date of certification of the dispute to the National War Labor Board.

(*b*) In the light of all the special circumstances of these cases, the Board has determined that 5 cents per hour shall be retroactive to October 1, 1944, unless otherwise agreed by the parties.

(*c*) Except as provided in (*a*) and (*b*) above, the effective date of this order shall be the date of this order.

EFFECTUATION OF THE ORDER

All of the foregoing terms and conditions applicable to the particular case shall be incorporated in a signed agreement reciting the intention of the parties to have their relations governed thereby, as ordered by the National War Labor Board.

All provisions affecting the compensation of employees are stayed pending the further order of this Board, which will be issued as soon as the questions of procedure regarding price relief (or production costs in cases involving procurement agencies) now under discussion between the Economic Stabilization Director and the Board have been resolved. In the meanwhile, the board directs that with respect to such provisions, the parties commence such negotiations as are contemplated in this order with a view to expediting the final disposition of the issues involved when the procedural questions referred to above have been clarified.

All other provisions of this order shall become effective on the issuance of this order in accordance with its terms.

Representing the public: William H. Davis, George W. Taylor, Frank P. Graham, Lloyd K. Garrison; representing labor: Van A. Bittner, Robert J. Watt, James A. Brownlow, Neil Brant; representing industry (dissenting): Walter T. Margetts, Horace B. Horton, Clarence O. Skinner, Vincent P. Ahearn.

NATIONAL WAR LABOR BOARD

In the Matter of 25 New England Cotton and Rayon Companies and the Textile Workers' Union of America, CIO (Cases Nos. 111–7739–D, 111–4841D, 111–6534–D, 111–4593–D, 111–6301–D). February 20, 1945

DIRECTIVE ORDER

By virtue of, and pursuant to, the powers vested in it by Executive Order 9017 of January 12, 1943, the Executive orders, directives, and regulations issued under the act of October 2, 1942, and the War Labor Disputes Act of June 25, 1943, the National War Labor Board hereby decides the dispute between the parties and orders that the following terms and conditions of employment shall govern the relations between the parties:

(1) The National War Labor Board may authorize wage increases "clearly necessary to correct substandards of living." The Board has the responsibility in all dispute cases to "provide for terms and conditions to govern relations between the parties which shall be fair and equitable to employer and employee under all the circumstances of the case." In view of these considerations, the Board has determined to move toward the correction of substandards of living in these cases by specifying a minimum wage rate of 55 cents per hour for all employees, except learners and handicapped persons.

(2) In connection with wage adjustments to eliminate substandards of living, adjustments in immediately interrelated job classifications may be ordered to the extent required to keep the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency. Such adjustments abovethe minimum are normally tapered. The Board finds in the present cases that further narrowing of wage differentials between job classifications above the minimum is incompatible with the maintenance of productive efficiency in the mannufacture of cotton-textile goods so vital to the prosecution of the war and to the civilian economy. Until such time as more balanced wage rate differentials are established, as set forth in section 3 below,

it is necessary to maintain at least the existing differentials above the new minimum of 55 cents. A wage increase of 5 cents per hour is provided, therefore, to all employees involved in these cases who are classified in occupations for which the heretofore prevailing rate is more than 50 cents per hour.

(3) The Board directs the company and the union to establish, through collective bargaining, a more balanced and properly alined wage rate structure in which the rates for semiskilled and skilled employees provide a reasonable differential above the minimum rate. The following guideposts and procedures are established for the bargaining of the parties:

(*a*) The following base rates for both hourly rates and piece rates shall be established for the designated key occupations:

	Cents
Sweepers and scrubbers	57
Card tender, picker tender, spooler tender	64
Doffer, spinning	72

(*b*) For jobs paid on a piece-rate or incentive basis, piece rates shall be so set as to yield normal piece-rate earnings equal to those which would result from an application of the "60–40" rule now in effect in Fall River.

(*c*) The rates for other job classifications not listed above shall be bargained by the parties in proper relation to the wage rates for the designated key occupations. For this purpose the structure of rates set forth in agreements between the union and the Fall River Textile Manufacturers' Association shall be used as a guide. This does not, however, preclude minor modification of this structure by collective bargaining.

(*d*) The reduction of an out-of-line wage rate shall not be effective to reduce the wages of present incumbents.

(*e*) The wage rate adjustments provided for in section 3 cannot be general across-the-board wage increases, and any such general increase will be disapproved.

(4) Agreements reached between the parties for a balanced and properly alined wage rate structure in conformance with section 3 above shall be transmitted for approval to a special panel to be established by the National War Labor Board in consultation with the appropriate regional board. If agreement is not reached by the parties, the matters in dispute shall be referred to the special panel for determination. Any appeal of the parties from the rulings or decisions of this special panel shall be made to the National War Labor Board.

(5) In the light of all the special circumstances of these cases, the board has determined that 5 cents per hour shall be retroactive to October 1, 1944, unless otherwise agreed by the parties. Except as so provided, the effective date of all wage adjustments herein provided for shall be the date of this order.

EFFECTUATION OF THE ORDER

All of the foregoing terms and conditions applicable to the particular case shall be incorporated in a signed agreement reciting the intention of the parties to have their relations governed thereby, as ordered by the National War Labor Board.

All provisions affecting the compensation of employees are stayed pending the further order of this Board, which will be issued as soon as the questions of procedure regarding price relief (or production costs in cases involving procurement agencies) now under discussion between the Economic Stabilization Director and the Board have been resolved. In the meanwhile, the Board directs that with respect to such provisions, the parties commence such negotiations as are contemplated in this order with a view to expediting the final disposition of the issues involved when the procedural questions referred to above have been clarified.

All other provisions of this order shall become effective on the issuance of this order in accordance with its terms.

Representing labor: Van A. Bittner, Robert J. Watt, James A. Brownlow, Neil Brant; representing the public: William H. Davis, George W. Taylor, Frank P. Graham, Lloyd K Garrison; representing industry (dissenting): Walter T. Margetts, Horace B. Horton, Clarence O. Skinner, Vincent P. Ahearn.

NATIONAL WAR LABOR BOARD

In the Matter of six New York and Pennsylvania Rayon Companies and The Textile Workers' Union of America, CIO (Cases Nos. 111–7107–D, 111–7159–D, 111–8105–D). February 20, 1945.

DIRECTIVE ORDER

By virtue of and pursuant to the powers vested in it by Executive Order 9017 of January 12, 1942, the Executive orders, directives, and regulations issued under the act of October 2, 1942, and the War Labor Disputes Act of June 25, 1943, the National War Labor Board hereby decides the dispute between the parties and orders that the following terms and conditions of employment shall govern the relations between the parties:

(1) The National War Labor Board may authorize wage increases "clearly necessary to correct substandards of living." The Board has the responsibility in all dispute cases to "provide for terms and conditions to govern relations between the parties which shall be fair and equitable to employer and employee under all the circumstances of the case." In view of these considerations, the Board has determined to move toward the correction of substandards of living in these cases by specifying a minimum wage rate of 55 cents per hour for all employees, except learners and handicapped persons.

(2) In connection with wage adjustments to eliminate substandards of living, adjustments in immediately interrelated job classifications may be ordered to the extent required to keep the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency. Such adjustments above the minimum are normally tapered. The Board finds in the present cases that further narrowing of wage differentials between job classifications above the minimum is incompatible with the maintenance of productive efficiency. Until such time as more balanced wage rate differentials are established, as set forth in section 3 below, it is necessary to maintain at least the existing differentials above the new minimum of 55 cents. A wage increase of 5 cents per hour is provided, therefore, to all employees involved in these cases who are classified in occupations for which the heretofore prevailing rate is more than 50 cents per hour.

(3) The Board finds that in the wage-rate structures of certain of these companies the minimum differentials now provided between unskilled, semiskilled, and skilled occupations are too narrow for the maintenance of efficient production.

The Board directs the company and the union to establish through collective bargaining a more balanced and properly aligned wage-rate structure in which the rates for semiskilled and skilled employees provide a reasonable differential above the minimum rate. The following procedures are established for the bargaining of the parties.

(*a*) As guideposts, the following wage rates shall be established for the designated key occupations:

	Cents per hour
Common labor	55.0
Winders, spinners, doublers, coners	61.5
Loom fixers	102.0

If in a particular case, one of the above job classifications is wholly or partly compensated on incentive or piece rates, the applicable guidepost above specified shall be deemed to refer to average straight time hourly earnings, and the piece work or incentive rates shall be fixed by collective bargaining to yield average straight time hourly earnings not less than the rates as indicated above.

(*b*) In cases where the job content of the above-designated key occupations in a particular plant constitutes an abnormal variation from generally prevailing standards of job content in the industry, the parties shall establish wage rates for these occupations which take into account such abnormal variation.

(*c*) The wage rates for job classifications not listed above shall be bargained by the parties in proper relation to the wage rates for the designated key occupations.

(*d*) The reduction of an out-of-line wage rate shall not be effective to reduce the wages of present incumbents.

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(*e*) For job classifications operated on a piece or incentive basis, the parties shall bargain the establishment of a daily guaranteed minimum.

(*f*) The extent of wage adjustments require to establish a balanced and properly aligned wage-rate structure will vary between the companies. On the basis of the record in these cases, little or no increase will be needed in most plants where wage rates are now in a sound relationship. There are a few plants, however, where most wage rates are now close to the minimum. In order to limit the extent of change required of such companies, it is specified that the maximum increase for any such company under section 3 of this order shall not exceed an amount equivalent to an average of 5 cents per hour for all its employees covered by this directive order.

(*g*) The wage-rate adjustments provided for in section 3 cannot be across-the-board wage increases, and any such general increases will be disapproved.

(4) Agreements reached between the parties for a balanced and properly aligned wage-rate structure in conformance with section 3 above shall be transmitted for approval to a special panel to be established by the National War Labor Board in consultation with the appropriate regional boards. If agreement is not reached by the parties, the matters in dispute shall be referred to the special panel for determination. Any appeal of the parties from the rulings or decisions of this special panel shall be made to the National War Labor Board.

(5) In the light of all the special circumstances of these cases and the equities of the companies and the employees, the Board has determined that 5 cents per hour shall be retroactive to October 1, 1944, unless otherwise agreed by the parties. Except as so provided, the effective date of all wage adjustments herein provided for shall be the date of this order.

EFFECTUATION OF THE ORDER

All of the foregoing terms and conditions applicable to the particular case shall be incorporated in a signed agreement reciting the intention of the parties to have their relations governed thereby, as ordered by the National War Labor Board.

All provisions affecting the compensation of employees are stayed pending the further order of this Board, which will be issued as soon as the questions of procedure regarding price relief (or production costs in cases involving procurement agencies) now under discussion between the Economic Stabilization Director and the Board have been resolved. In the meanwhile, the Board directs that with respect to such provisions, the parties commence such negotiations as are contemplated in this order with a view to expediting the final disposition of the issues involved when the procedural questions referred to above have been clarified.

All other provisions of this order shall become effective on the issuance of this order in accordance with its terms.

Representing the public: William H. Davis, George W. Taylor, Frank P. Graham, Lloyd K. Garrison; representing labor: Van A. Bittner, Robert J. Watt, James A. Brownlow, Neil Brant; representing industry: (dissenting): Walter T. Margetts, Horace B. Horton, Clarence O. Skinner, Vincent P. Ahearn.

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For release in afternoon papers
Of Friday, February 23, 1945

B-1936a
Textiles

(Cleared and released through the facilities of the Office of War Information)

The industry members of the National War Labor Board today issued the following statement on the Board's recent decision in the case between the 23 southern cotton textile companies and the Textile Workers' Union of America, CIO:

STATEMENT OF INDUSTRY MEMBERS

We believe it necessary to call attention to the fact that in the textile cases, and in the packing-house case as well, industry members voted in the negative not only on disposition of specific issues, but also on the paragraphs found under "Effectuation of the order."

We opposed this action of the majority of the Board because we believe that the orders should carry the restraining language of Executive Order 9328 whenever this Board deals with the so-called "fringe issues." Until that Executive order has been changed by the appropriate authorities, this Board should continue to operate in accordance with its explicit provisions.

We have, here, a group of 23 southern textile companies. The appropriate Government agencies, though asked to do so, refused to certify them, as a group, as so essential to the prosecution of the war that they could be given by us a "rare and unusual" status. Some of the individual companies, we were told, warranted that classification, but the whole group did not.

A majority of the board has ordered a 55-cent minimum wage, in the teeth of the fact that the Board has long had a policy defining a substandard wage in terms of a 50-cent minimum. The 55-cent minimum is 37½ percent higher than the highest minimum under the Fair Labor Standards Act. In order to increase the minium to 55 cents, the Board, under the circumstances of the rate structure here involved, give a 5-cent and more across-the-board, general, increase to all employees. The result will be increases in these 23 mills since January 1941, totaling far more than double the amount permitted by the Little Steel Formula—indeed, the increases will be near 50 or 60 percent.

But that is not all the Board has done. It has imposed the new 55-cent minimum, and across-the-board increases, on a small segment of the textile industry—even of the southern textile industry. In the South alone this case affects but 23 out of 854 plants—less than 3 percent. It affects but about 17,500 employees out of 360,000—less than 5 percent. The Board imposed on these companies a burden which may well make it very difficult for them to operate in competition with the vast majority of the rest of the southern industry. And if it be said that the condition will soon ameliorate itself because the rest of the industry in the South will necessarily fall in line, the Board is imposing on that industry an added wage bill—estimated at about $71,600,000 per year—which may have serious reprecussions on the entire southern economy.

The considerations, both of policy and of practical consequence, are in our opinion overwhelmingly against the action taken by the majority. The gravity of the case compels this statement of our dissent.

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For release in Sunday papers
Of March 18, 1945

B-1963B
Textile

(Cleared and released through the facilities of the Office of War Information)

"It simply doesn't make sense to continue to hamper the production of urgently needed supplies of cotton textiles by continued payment of the existing substandard minimum wages and by continued use of grossly unbalanced wage-rate structures," Chairman George W. Taylor, of the National War Labor Board, said in a written opinion issued today on the Board's orders of February 20 in the textile cases. "The correction of such obvious defects in the industry's wage structure will help win the war and provide a more equitable basis for operations in the peace which is to follow."

By unanimous action, the Board at the same time lifted the stay previously imposed on the compensation provisions of the February 20 orders, which directed wage adjustments based chiefly on correcting substandards of living as a settlement of disputes involving 23 southern cotton textile companies, 25 New England cotton and rayon companies and six New York and Pennsylvania rayon companies. The textile Workers Union of America, CIO, is bargaining agent for the more than 50,000 employees covered by the orders.

The Board's order lifting the stay provided, however, that—pursuant to the directive of March 8 of the Director of Economic Stabilization—all compensation provisions of the textile decisions of February 20, exclusive of the correction of

wage-rate structures, are to become effective upon a determination by the Office of Price Administration that no change in price ceilings is necessary or, if price relief is necessary, upon approval of the Director of Economic Stabilization.

As to the correction of wage-rate structures, for which the Board provided guide posts to be used in negotiating the structures, the Board directed the parties to proceed with the collective bargaining and to report their results to the Board for approval. They will be assisted in this function by a textile panel.

The compensation provisions of the February 20 orders had been stayed pending completion of discussions with the Director of Economic Stabilization on the question of procedure regarding price relief or, in cases involving Government procurement agencies, production costs.

The Board's original orders provided for (1) a 55-cent hourly minimum rate as a move toward the correction of substandards of living (2) a 5-cent hourly increase in all rates above 50 cents an hour to maintain the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency; (3) a premium of 5 cents an hour for third-shift work in the southern cases, and (4) 1 week vacation with pay for those employees who have 1 year of service with the 11 southern companies where vacations were an issue. Five cents an hour is to be paid to all employees retroactive to October 1, 1944, unless the parties agree otherwise.

Industry members said they concurred in the supplementary directive orders issued today because they only concerned procedure, and that their dissent to the original decision on the merits still stands. They said they may issue a statement supplementing the one they issued at the time of the decision.

Labor members of the Board in another opinion accompanying today's orders, said that "no sound reason has been stated for refusing to grant the union's demand for a 60-cent-an-hour minimum wage. We supported the decision only because of the necessity for obtaining a majority vote of the Board."

Chairman Taylor asserted in his opinion, written in behalf of the Board majority, that "vitally important cotton textile manufacturing pays the lowest wages of any basic industry in the country" and that "its minimum wage of 50 cents per hour provides a definitely substandard living particularly under present circumstances."

"If any wage structure is subject to adjustment on grounds of fairness and equity, this is it," he said. "Nor can one say that this country, performing such gigantic industrial tasks, cannot support more equitable wages in cotton textiles, particularly since equitable wages are a prerequisite to securing more goods needed to fight the war. The country cannot afford to leave the cotton textile wage scales where they now are."

On the relationship of cotton-textile wages to cotton-textile production, he said:

"There is ample industrial experience to show that substandard wages and badly out-of-balance wage-rate structures are a deterrent to efficient production in peacetime. Today, and in this industry, they are an unnecessary hindrance to the war-production program. Reports of other Government agencies, intimately concerned with production and procurement, make it very clear that the output of the cotton textile industry has been falling far short of the amounts needed for war purposes and for essential civilian uses."

Various manpower devices have been tried in cotton textiles, including the use of soldiers in the mills, Chairman Taylor said, but they have been "insufficient to turn the tide of continually declining output.

"Undoubtedly, the manpower difficulties cannot be eradicated by wage adjustments. There is neither rhyme nor reason, however, to make the crucial manpower and production problems virtually impossible of solution by continuing a 50-cent minimum wage and by limping along under grossly unbalanced wage-rate structures."

The opinion stated that the Board's order will form a pattern for the entire industry. "On the basis of past experience," it said, "the Board's decision can be expected almost immediately to become effective throughout most of the northern industry; the decision in the southern cases will probably be extended throughout most of the southern area over a period of a year or more."

Board determinations in the cases will have an important bearing on the general problem of correcting substandards of living, the opinion asserted, emphasizing that the cases highlighted the need for adjusting seriously unbalanced wage rate structures in order to provide reasonable wage differentials for occupations involving different skills and responsibilities.

"The manner of providing wage adjustments to correct substandards of living is clearly spelled out in the May 12, 1943, Directive of the Director of Economic Stabilization," the opinion said. "After an adjustment is made in the minimum wage for the least skilled occupation, correlative adjustments incident to and inseparable from the substandard minimum adjustment in interrelated job classifications may be made to the minimum extent necessary to maintain reasonable differentials between jobs of varying skill and responsibility. Ordinarily such correlative changes in job rates are tapered, i. e., the wage incerases diminish in amount as the jobs increase in skill and responsbility. Because the average wage for all employees in cotton textile mills is now generally so close to the minimum, a change in the minimum wage cannot be accompanied by tapered adjustments if a workable wage rate structure is to be developed."

The wage rate differentials between unskilled, semiskilled, and skilled occupations in some mills are so narrow they call for greater increases to the skilled and semiskilled employees than to those employed at the minimum rate, the opinion said, continuing: "Such a realignment of wage-rate relationships is a phase of correcting intraplant inequities under the stabilization program. It is covered by section 2 of Executive Order 9328 which recognizes the responsibility of the Ntaional War Labor Board to order reclassifications under the circumstances found in this case."

Chairman Taylor pointed out that if 50 cents an hour is an unduly low wage for common labor, than 53 cents for spinners and 65 to 70 cents for highly skilled loom fixers are extremely low for such work although they are the wages paid in some mills.

"It simply doesn't make sense," he said, "to continue to hamper the production of urgently needed supplies of cotton textiles by continued payment of the existing substandard minimum wages and by continued use of grossly unbalanced wage-rate structures. The correction of such obvious defects in the industry's wage structure will help win the war and provide a more equitable basis for operations in the peace which is to follow."

The wage awards of the Board will result in an average wage of approximately 65.5 cents an hour for all employees in the southern plants directly affected, according to the opinion. In the northern cases the average will be about 72.5 cents per hour. However, it said, a wage differential in favor of the southern area has long been a characteristic of the industry. Board policy has been not to eliminate such established area differentials.

The opinion reviewed wage movements in the cotton textile industry, and pointed out that its problems have been long in the making and are deep seated.

The opinion also discussed the duty and responsibility of the Board to approve or to order wage increases to correct substandards of living.

In connection with its order to the parties to negotiate a better balanced wage-rate structure, the Board specified a number of occupational guide post rates to be used in collective bargaining. These are set at levels with insure reasonable differentials for semiskilled and skilled work.

"There is general agreement among all interested parties that the existing differentials for semiskilled and for skilled occupations in most of these mills are to narrow," the opinion asserted. "There is likewise a consensus among the interested parties that a differential between least-skilled and most-skilled occupations of at least 35 cents is required to produce a properly balanced wage structure. Most southern employers in the present cases believe, however, that the spread should be from 50 cents to 85 cents per hour rather than from 55 to 90 cents as proposed by the Board."

After discussing the North-South wage differential, the opinion stated: "A careful analysis of condition in the two major areas in terms of wages paid, fabrics produced, skills required and work loads leads to the conclusion that there is presently no problem which can properly be dealt with in terms of a North-South differential as such."

The opinion of the labor members, in addition to commenting on the minimum wage, discussed the shift premium and the effective date of the order.

It contended that the Board's "refusal to grant the union's demand for a premium of 7 cents an hour flies squarely in the face of its own well-established policy. Even in industries where there had been no practice of paying shift premiums the Board has ordered third-shift premiums greater than 5 cents an hour."

In discussing the retroactivity issue, the labor members said:

"The effective date of the order follows no discernible pattern, or rather it is a confusion of all the patterns the Board has used for determining the effec-

tive date of its orders. The general policy, applied in nearly all disputes, is that the effective date of the order shall be the expiration date of the previous contract, or in the event of no prior contract, the date of the cerification of the dispute to the Board. This policy is applied only to the vacation provision of the present order. The 5-cent general increase, however, is made retroactive only to October 1, 1944. The reclassification wage adjustments and the shift premium are to be effective only from the date of the directive order. The justification given for this arbitrary arrangement is that it is necessary 'In order further to ease the burden upon the minority of the mills affected directly by the order * * *.' This tender solicitude for an industry whose war profits are 10 times greater than their peacetime profits is an attitude that will, of course, be deeply appreciated by 55-cent-an-hour workers."

The Board's directive orders and the opinions are attached.

NATIONAL WAR LABOR BOARD

In the matter of 23 Southern Cotton Textile Companies and the Textile Workers' Union of America, CIO (Case Nos. 111-5110-D, 111-6308-D, 111-5822-D, 111-2527-D). March 13, 1945.

SUPPLEMENTARY DIRECTIVE ORDER

The second from the last paragraph in the Directive Order of February 20, 1945, in the above-named cases is hereby rescinded and the following substituted in its place:

Pursuant to Executive Orders Nos. 9250 and 9328, as supplemented by the Directive of May 12, 1943, and the Directive of March 8, 1945:

I. The terms and conditions ordered in sections 1, 2, 6, 7, and 8 shall become effective only upon determination by the Office of Price Administration that these adjustments will not require any change in price ceilings, or, if no such determination is made, then upon approval by the Director of Economic Stabilization. The parties will be notified promptly of the action of the Office of Price Administration or the Director of Economic Stabilization.

II. The parties are directed to proceed with collective bargaining on the matters covered by section 3 in accordance with the guideposts established by that section and to report directly to the Board the results of their collective bargaining, which shall be subject to the approval of the Board. Until the further order of the Board, the textile panel shall be limited to the functions described in section 3 (h).

Representing the public: George W. Taylor, Lloyd K. Garrison, Frank P. Graham, Lewis M. Gill; representing industry: Vincent P. Ahearn, Clarence O. Skinner, James A. Tanham, Fred Climer; representing labor: Van A. Bittner, Carl J. Shipley, Robert J. Watt, James A. Brownlow.

NATIONAL WAR LABOR BOARD

In the matter of 25 New England Cotton and Rayon Companies (Case Nos. 111-7739-D, 111-4841-D, 111-6554-D, 111-4593-D, 111-6301-D) and 6 New York and Pennsylvania Rayon Companes, and the Textile Workers' Union of America, CIO (Case Nos. 111-7107-D, 111-7159-D, 111-8105-D). March 13, 1945.

SUPPLEMENTARY DIRECTIVE ORDER

The second from the last paragraph in the Directive Order of February 20, 1945, in the above-named cases is hereby rescinded and the following substituted in its place:

Pursuant to Executive Orders Nos. 9250 and 9328, as supplemented by the Directive of May 12, 1943, and the Directive of March 8, 1945:

I. The terms and conditions ordered in sections 1, 2, and 5 shall become effective only upon determination by the Office of Price Administration that these adjustments will not require any change in price ceilings, or, if no such determination is made, then upon approval by the Director of Economic

Stabilization. The parties will be notified promptly of the action of the Office of Price Administration or the Director of Economic Stabilization.

II. The parties are directed to proceed with collective bargaining on the matters covered by section 3 in accordance with the guideposts established by that section and to report directly to the Board the results of their collective bargaining, which shall be subject to the approval of the Board. Until the further order of the Board, the functions of the textile panel shall be limited to assisting the parties in carrying out their respective obligations under section 3.

Representing the public: George W. Taylor, Lloyd K. Garrison, Frank P. Graham, Lewis M. Gill; representing industry: Vincent P. Ahearn, Clarence O. Skinner, James A. Tanham, Fred Climer; representing labor: Van A. Bittner, Carl J. Shipley, Robert J. Watt, James A. Brownlow.

NATIONAL WAR LABOR BOARD

In the Matter of 23 Southern Cotton Textile Companies and the Textile Workers' Union of America, CIO (Case Nos. 111-5110-D, 111-6308-D, 111-5822-D, 111-2527-D), 25 New England Cotton and Rayon Companies and the Textile Workers' Union of America, CIO (Case Nos. 111-7739-D, 111-4841-D, 111-6534-D, 111-4593-D, 111-6301-D), 6 New York and Pennsylvania Rayon Companies and the Textile Workers' Union of America, CIO (Case Nos. 111-7107-D, 111-7159-D, 111-8105-D). March 9, 1945.

The Directive Orders of the National War Labor Board in the above cases, dated February 20, 1945, were approved by the following members of the Board: William H. Davis, chairman, George W. Taylor, vice chairman, Frank P. Graham, Lloyd K. Garrison, Van A. Bittner, Robert J. Watt, James A. Brownlow, and Neil Brant. The following members of the Board dissented: Walter T. Margetts, Horace B. Horton, Clarence O. Skinner, and Vincent P. Ahearn. Dr. George W. Taylor was designated to write the following opinion for the majority of the Board.

OPINION

GENERAL SUMMARY OF CASE

These cotton textile cases involve disputes between the Textile Workers' Union of America, CIO, and 23 southern cotton textile companies, 25 New England cotton textile concerns, and 6 rayon companies in the New York-Pennsylvania area. They have been considered as three separate but closely related cases because of a similarity of issues and because their determination will form a pattern for the entire industry. On the basis of past experience, the Board decision can be expected almost immediately to become effective throughout most of the northern industry; the decision in the southern cases will probably be extended throughout most of the southern area over a period of a year or more.

The Board determinations in the cotton textile cases have an important bearing upon the general problem of correcting substandards of living. These cases also highlight the need for adjusting seriously unbalanced wage rate structures in order to provide reasonable wage differentials for occupations involving different skills and responsibilities.

The manner of providing wage adjustments to correct substandards of living is clearly spelled out in the May 12, 1943, Directive of the Director of Economic Stabilization. After an adjustment is made in the minimum wage for the least skilled occupation, correlative adjustments incident to and inseparable from the substandard minimum adjustment in interrelated job classifications may be made to the minimum extent necessary to maintain reasonable differentials between jobs of varying skill and responsibility. Ordinarily such correlative changes in job rates are tapered, i. e., the wage increases diminish in amount as the jobs increase in skill and responsibility. Because the average wage for all employees in cotton textile mills is now generally so close to the minimum, a change in the minimum wage cannot be accompanied by tapered adjustments if a workable wage rate structure is to be developed.

To correct substandards of living the Board has ordered a minimum wage of $0.55 per hour in these cases. To preserve the wage differentials between occupations presently existing in each mill the Board has ordered an increase of $0.05 per hour in all other occupational rates. The foregoing adjustments are incident to the substandard phase of the cases. Differentials between wage rates for unskilled, semiskilled, and skilled occupations are so narrow in some mills, however, as to call for further adjustments of the wages paid to skilled and semi-skilled employees. Such a realignment of wage-rate relationships is a phase of correcting intraplant inequities under the stabilization program. It is covered by Section 2 of Executive Order 9328 which recognizes the responsibility of the National War Labor Board to order reclassifications under the circumstances found in this case.

The wage problems of the cotton textile industry as shown in these cases are, therefore, quite complex. Not only is there a low minimum wage for unskilled workers, but many of the jobs involving considerably more skill are paid wages but little greater than that paid to sweepers. The Board majority has determined that $0.50 per hour is an unduly low wage for common labor under the facts of these cases. It has also determined that wages, such as are paid in some mills, of $0.53 for spinners and of $0.65 to $0.70 for highly skilled loom fixers, are extremely low for such work.

The manufacture of cotton textiles is a vital war industry. This industry is falling short of meeting the minimum military and civilian demands for its product, to a large extent because of a serious loss of manpower. It simply doesn't make sense to continue to hamper the production of urgently needed supplies of cotton textiles by continued payment of the existing substandard minimum wages and by continued use of grossly unbalanced wage rate structures. The correction of such obvious defects in the industry's wage structure will help win the war and provide a more equitable basis for operations in the peace which is to follow.

The $0.55 minimum wage and the wage differentials for other occupations, directed by the National War Labor Board for this vital war industry, will result in an average of approximately $0.655 per hour for all employees in the southern plants directly affected. A significantly higher average wage of about $0.725 per hour will result from application of the Board's order in the northern producing area. A wage differential in favor of the southern area, however, has long been a characteristic of this industry. The National War Labor Board policy has been not to eliminate such established area differentials.

WAGE MOVEMENTS IN THE COTTON TEXTILE INDUSTRY

The previously noted wage problems come into bold relief now when the cotton textile industry is called upon to carry very heavy wartime responsibilities. Such problems, however, have long been in the making and are deep-seated. This is evident from the following review of the way in which the industry's wage structure has developed.

In recent years the cotton-textile industry has made great progress in raising its minimum wages more nearly to the level paid by other great basic American industries. The need for a higher wage policy has long been recognized by many of the leaders of the industry. Attainment of the objective, however, has been hindered by formidable obstacles inherent in the organizational structure of the industry.

It is significant that governmental action has played a large part in the raising of cotton textile wages. The governmental program of past years, particularly under the Fair Labor Standards Act, has been concentrated largely upon changes in the minimum wage for the least skilled occupations. Adjustments of wages above the minimum, with each change in the minimum wage, have been variously made in different plants. This underlies the present problem of unbalanced wage-rate schedules.

Prior to 1938, minimum wages of less than 25 cents an hour were not uncommon in the cotton textile industry. In October 1938, the Fair Labor Standards Act required the payment of a minimum wage of not less than 25 cents per hour. As a result of later action under the Fair Labor Standards Act, a 32½-cent minimum was made effective in October 1939. This was raised to 37½ cents in July 1941, and to 40 cents in April 1942. Each adjustment of the minimum rate was made without any particular change being required in other occupational rates at which the great majority of textile workers are employed.

In August 1942, the National War Labor Board, in cases involving 59 cotton-textile companies in both the northern and southern industry, established a

47½-cent minimum wage and also ordered an across-the-board increase of 7½ cents per hour in order to maintain all existing occupational differentials. These were the differentials which had previously been variously established in the different mills.

Shortly thereafter, other cotton textile plants, not directly affected by the 1942 order of the Board, voluntarily granted wage adjustments which averaged somewhat less than 7½ cents per hour. Still more recently, under General Order No. 30, most of the industry has been operating under a 50-cent minimum.

In some plants, each increase in the minimum wage as outlined above was accompanied by across-the-board increases of a similar amount. This maintained the occupational-wage differentials in cents per hour but narrowed the percentage differentials. Differentials in cents per hour that might have been regarded as appropriate at an average wage level of say 30 cents might be quite inappropriate at 50 cents. In other plants, tapered increases were made in wages above the minimum whenever a change was made in the minimum wage. When this policy was applied a number of times, wage differentials between jobs were narrowed almost to a vanishing point. A few companies made no significant adjustments at all in rates above the minimum on some occasions when the minimum rate was increased. These various practices brought about wide differences between the wage-rate structures of the different cotton-textile mills.

Mills which made no increases except in minimum wages and mills which rigorously tapered wage adjustments each time there were increases in the minimum wage now have wage-rate structures which are seriously unbalanced. The rates for semiskilled and skilled occupations are frequently inadequate. Even where across-the-board increases have been made in the past, the wage differentials in cents per hour between occupations are quite narrow at the higher level of wages now prevailing. Although these problems are most aggravated in the southern cases, they are also present in a number of the northern cases.

Inequities within the wage-rate structures of different companies have become more aggravated during the war. As previously noted, in August 1942 the National War Labor Board issued directive orders in cases involving 59 cotton textile companies providing for an increase of 7.5 cents an hour to be applied across the board in order to maintain existing occupational differentials. A substantial minority of textile companies in the southern industry, not directly affected by the 1942 order of the Board, subsequently instituted wage adjustments averaging somewhat less than 7.5 cents per hour but distributed throughout the wage structure so as to increase the minimum wage but slightly while substantially increasing the semiskilled and skilled job classifications. Such adjustments were designed to cope with the very problem which is before the Board in these cases. They were designed to balance wage-rate structure. The lower minimum rates of many of these companies were subsequently increased, however, when they made "across-the-board" increases in 1944 equal to the increase necessary to install a $0.50 minimum wage. Many of these companies now have a reasonably balanced wage-rate structure based upon a $0.50-per-hour minimum wage.

The southern companies involved in the present textile cases pay a minimum wage generally in line with that paid by a large majority of other southern textile companies. For job classifications in the skilled and semiskilled occupations, however, their wage rates are below what may be termed "best practice" in the southern area. Their wage scales are, therefore, out of balance to a greater extent than many other mills in the same area. The panel report reveals that for most occupations the average of wage rates for the southern mills in these cases was about 5 cents below the weighted average for the mills in the South which made voluntary increases in the spring and summer of 1944.

LEVEL OF COTTON TEXTILE WAGES

As noted above, the wage-rate structure of the cotton textile industry needs adjustment in order to correct substandards of living and also in order to provide reasonable wage differentials for semiskilled and skilled occupations. The low minimum wage and the lack of adequate occupational wage differentials combined result in an average wage for all cotton textile employees which is relatively low in comparison with other industries. In a very real sense, the correction of substandards of living in these cases requires an over-all adjustment of wages rather than merely a change in the minimum wage.

Of the 134 manufacturing industrial groups included in Bureau of Labor statistics data for September 1944, the average hourly earnings of 64.6 cents paid

by the very large industry designated as "cotton manufacturers except smallwares" was the lowest except for 3 relatively very small industry groups, namely, cottonseed oil 63.3 cents, work shirts 55.2 cents, and handkerchiefs 62.8 cents. It may be pointed out, moreover, that as a group the southern cotton-textile mills involved in these cases pay average straight-time hourly wages of only 57.4 cents per hour or about 10 percent below the average for cotton manufacturing as a whole.

The three industrial groups with average hourly earnings below cotton textiles were all nondurable-goods industries. No durable-goods group was as low as cotton textiles. The lowest durable-goods group was "wood preserving," which paid average hourly earnings about 15 cents higher than cotton textiles. Of 22 nonmanufacturing industrial groups, only 2 were lower than textiles: "Retail trade, general merchandise" at 60.9 cents and "power laundries" at 63.7 cents. Both of these averages, however, are higher than the average hourly wage paid by the southern cotton-textile industry.

The simple fact is that the vitally important cotton-textile manufacturing pays the lowest wages of any basic industry in the country. Its minimum wage of $0.50 per hour provides a definitely substandard living, particularly under present circumstances. If any wage structure is subject to adjustment on grounds of fairness and equity, this is it. Nor can one say that this country, performing such gigantic industrial tasks, cannot support more equitable wages in cotton textiles, particularly since equitable wages are a prerequisite to securing more goods needed to fight the war. The country cannot afford to leave the cotton-textile wage scales where they now are.

THE CORRECTION OF SUBSTANDARDS OF LIVING

Analysis of the wages problem of the cotton-textile industry led a majority of the Board, industry members dissenting, to the conclusion that the mills involved in these cases should increase their minimum wage to $0.55 per hour as a feasible forward step in the correction of substandards of living. This action represents a significant development of the substandard wage policy of the National War Labor Board. It is appropriate at this point, therefore, briefly to review the duty and responsibility of the Board to approve or to order wage increases to correct substandards of living.

Provision has always been made in the wage stabilization program for wage adjustments to correct substandards of living. In his April 27, 1942, message to the Congress, which set forth a program for wartime economic stabilization, the President stated:

"The existing machinery for labor disputes will, of course, continue to give due consideration to inequities and the elimination of substandards of living."

Under the Economic Stabilization Act of October 2, 1942, the National War Labor Board was specifically authorized by Executive Order 9250 of October 3, 1942, to approve or to order wage adjustments necessary to correct substandards of living.

All carefully developed budgetary studies show the need for a higher minimum hourly rate than can ordinarily be ordered by the Board without creating employment instability. In dispute cases over substandard rates, the War Labor Board problem is to determine the extent to which standards of living can be improved without creating a loss of employment and unstable employment conditions. After 3 years of experience with such cases, the Board still has no inflexible rule for the correction of substandards of living to apply in dispute cases. The particular circumstances of each case must be given separate consideration. Let it be understood that the War Labor Board can order wage adjustments only in dispute cases which are certified to the Board. It has no power to order any wage for general application. This is an important consideration in cases such as the present ones in which a determination is made for a minority of the total plants in the cotton-textile industry.

Although the National War Labor Board has utilized a case-by-case approach in the settlement of disputes over substandard wages, a number of steps have been taken to grant general authorizations for the voluntary adjustment of such wages by employers.

On February 18, 1943, the Board provided in General Order No. 30 that wage rates could be raised by employers up to 40 cents per hour without Board approval provided that such increases did not furnish a basis to increase price ceilings. On July 26, 1943, the Director of Economic Stabilization authorized adjustments up to 40 cents per hour without the necessity of approval by the Office of Economic Stabilization in the event that price relief was necessary.

On March 11, 1943, the Board established a "shortened procedure" under which detailed wage analyses would not be required in voluntary cases providing wage adjustments not in excess of 50 cents an hour. This was followed on November 11, 1944, by an amendment to General Order No. 30, which gave employers the right to make increases up to 50 cents an hour without prior approval of the Board. Increases above 40 cents per hour which involved price ceilings, however, were still subject to the approval of the Board. Then on February 28, 1945, the Board extended the "shortened procedure" method to voluntary applications by employers to increase wages up to $0.55 per hour.

Most of the cases handled by the National War Labor Board are voluntary submissions by employers for approval of wage adjustments which they want to make. The voluntary substandard cases are processed under the expediting policies previously discussed. Many voluntary submissions, however, have been for minimum wages considerably below $0.50 per hour. They are approved by the Board, of course, since there is no power to require increases where there is no labor dispute over the wages paid. Inasmuch as most Board cases are voluntary submissions, the wage levels for the low-paid occupations are generally established by the voluntary cases and sometimes considerably below $0.50 per hour.

In dispute cases, the Board establishes substandard wages in individual cases only after consideration of the local wage levels established in many instances by voluntary acting of the employers. This procedure is designed to avoid, as far as possible, the creation of wage instabilities in a labor market. A dispute case may arise in 1 establishment out of, say, 20 in an area where minimum wage rates of $0.30 per hour are paid by all the establishments. Wages are not in dispute and not before the Board except in the one case. Under such circumstances it would normally not be possible to require a $0.50 minimum in the one establishment without a likelihood that it would be forced out of business by the competition of the other establishments.

The National War Labor Board unquestionably has the power and the duty to increase wages when clearly necessary to correct substandards of living. It cannot fulfill its duty, however, by restricting its decisions in dispute cases strictly to the limit determined by employers. The elimination of substandards cannot be dependent entirely upon employer violation. The National War Labor Board has a duty to exercise its judgment in establishing a minimum wage above generally prevailing levels to correct substandards of living when that is feasible to the employer and equitable to the employees.

In the cotton textile industry, for example, a minimum wage of $.50 per hour has already been generally established by employers through their own action or by voluntary submissions. In these cases, the Board determined to increase that minimum wage generally established by employers in the industry as a necessary and a feasible step for the correction of substandards of living. The Board majority believes that a $.55 minimum wage can now be established even though it will initially be effective only as respects a minority of the plants in the industry. This determination is based upon a conviction that at least a $.55 minimum wage can now be effectuated in the industry without creating employment instability. As a matter of fact, at least a $.55 minimum wage is now a prerequisite to the avoidance of employment instability resulting from serious manpower losses.

The Economic Stabilization Director's policy directive of May 12, 1943, provided, in connection with the approval of wage adjustments necessary to eliminate substandards of living, that adjustments in immediately inter-related job classifications could be approved "to the extent required to keep the minimum differentials . . . necessary for the maintenance of production efficiency." The Regulations of the Director of Economic Stabilization issued on August 28, 1943, used somewhat different language, stating that "such adjustments are to be tapered off rigorously in application to higher job classifications so as to apply only in those classifications and only to the extent necessary for productive efficiency in the inter-related job classifications."

The regulation of August 28, 1943, providing for tapered adjustments has been followed with some difficulty even where a wage structure as a whole was in balance prior to an adjustment in the minimum to correct substandards of living. A tapered adjustment in such cases would disturb established wage differentials. There is no doubt that tapering is not feasible at all where the average wages for all occupations are as close to the minimum wage as in cotton textiles. The governing stabilizating principle is that adjustments above the minimum must be of such a nature as to maintain productive efficiency. This is a

matter of judgment to be arrived at after a consideration of the facts of a particular case.

In a number of cases, such as the Postal Telegraph case, the Board found that the differentials between job classifications above the minimum were so narrow that productive efficiency would be impaired by further narrowing of the differentials. In such cases the Board has authorized or ordered an across-the-board increase equal to the increase in the minimum rate. A similar judgment has been made by the Board majority in the present case.

In the Postal Telegraph-Cable Co. case (May 31, 1943) we said: "It does not follow that in ruling on a wage scale where only a portion of the rates may be characterized as substandard, the Board is rigidly precluded from making any adjustments in the higher rates. On the contrary implicit in the Board's authority to make substandard adjustments is the right, even the duty, of making those correlative adjustments necessary to preserve throughout the wage scale a workable balance and to maintain between job classifications the minimum differentials necessary to preserve operating efficiency. To conclude otherwise would be to place the Board on the horns of an insoluble dilemma; it would be faced with the impossible choice either of refusing to grant any substandard increase or of granting such an increase in the face of the knowledge that by so doing it was unbalancing the entire wage schedule and its occupational relationships. It was never intended that the Board should be confronted with such a "Hobson's choice!"

In increasing the minimum wage to $0.55 per hour in these cotton textile cases, the Board has concluded, therefore, that each other occupational rate should immediately be increased by $0.05 per hour. This is the minimum adjustment required to maintain wage differentials, incident to the correction of substandards of living. Under the directive of the Board, each occupational rate will be increased by $0.05 per hour, except where a greater increase is necessary to reach the $0.55 minimum wage, and each employee will receive a retroactive adjustment of $0.05 per hour to the date specified.

JOB EVALUATION OR RECLASSIFICATION ASPECTS OF THESE CASES

Even after the adjustments necessary to correct substandards of living have been made, the wage structures of a number of the mills involved in these cases include wage differentials insufficient adequately to compensate semiskilled and skilled employees for their contribution to the production of cotton textiles. In order to meet this problem and for the purpose of working out a balanced wage-rate structure, the Board has specified a number of occupational guide post rates to be used in the collective bargaining contemplated by the directive of the Board. The guideposts are set at levels which insure differentials for semiskilled and skilled work.

The present average spread in the 23 southern companies between scrubbers and sweepers at the bottom of the wage structure and loomfixers at the top is but 27.5 cents per hour. This spread is as little as 5 cents in some concerns but as much as 44 cents in others. There is general agreement among all interested parties that the existing differentials for semiskilled and for skilled occupations in most of these mills are too narrow. There is likewise a consensus among the interested parties that a differential between least skilled and most skilled occupations of at least 35 cents is rquired to produce a properly balanced wage structure. Most Southern employers in the present cases believe, however, that the spread should be from $0.50 to $0.85 per hour rather than from $0.55 to $0.90 as proposed by the Board.

The inadequacy of the present wage rate structure of certain of these companies may be further illustrated by a particular case. In one of the mills, among the 23 companies in the Southern case, the sweeper and scrubber rate is 50 cents an hour. Picker Tenders are also paid 50 cents an hour, while slubber tenders on incentive wages earn the same average wage of 50 cents an hour. Spinners, cloth-room inspectors, and baling pressmen are paid between 51.5 and 52 cents an hour. Spinning doffers earn 55.5 cents on the average while weavers on incentive earn no more than 61 cents per hour. The loomfixer (a skilled mechanic) earns 65.5 cents as compared to a rate of 90 cents an hour applicable to class B machinists in the areas where most textile mills are located.

Other plants have similar compressed wage structures. This may be discerned by the relation between minimum wages and plant averages. Thus one plant with a plant minimum of $0.50 has a plant average of $0.5438; another with a plant minimum of $0.50 has a plant average of $0.5296. Such wage

structures provide little or no incentive for advancement and the differentials between the entrance rate of 50 cents and the rate for machine tending classifications are out of all proportion to the content of job and the skill required.

The Board has concluded that a 35-cent spread in wage rates between least skilled and most skilled occupations should now be established as a minimum differential necessary to assure reasonably balanced wage structures. Within the limits of the lower and upper anchor points, the Board has also determined the greater position of wage rates for three other jobs (machine tenders, spinning doffers, and weavers) in the wage structure. With the establishment of such peg points, and the designation of facilitating guide posts and procedures, the task of completing a properly alined and balanced wage structure has been assigned to collective bargaining.

If the parties interpolate rates for other occupations between the guide rates it is estimated that the reclassification part of the case would increase wages paid in the 23 southern companies by approximately 3 cents per hour as an average for all employees involved in these cases. The average increase in some mills will be as low as 0.3 cents and in others the maximum allowance of 5 cents prescribed by the Board will have to be utilized. The average wage increase represented by the reclassification as apart from the adjustment to correct substandards of living, will be less than 5 percent of average hourly earnings. Since the labor cost in textiles averages about 25 percent of the total manufacturing costs, it may be concluded that the reclassification wage adjustments will increase production costs by only abuot 1¼ percent on the average. The Board majority believes, however, that the reclassification program will, over a period of time, actually reduce costs of production by providing a wage policy which will be in the interests of production efficiency.

The reclassification program ordered by the Board is of significance as a cost factor only to those mills where the wage differentials for semiskilled and skilled work are unduly low in comparison with widely accepted good practice in each textile producing area. It is recognized, however, that the burden imposed upon those mills with average wages which are extremely low in comparison with the general area average should be limited so as not to require a too drastic change at one step. The Board has directed, therefore, that the reclassification cost, apart from the correction of substandards of living, should not exceed an average of $0.05 per hour for any one company. For some companies, therefore, the exact guide-rates set forth in the Board's directive order will not be applicable. Lower guide rates for the key occupations will have to be worked out. It may also be mentioned that lower rates than the Board's guide rates will be also used if the job content in any plant is abnormally below the standard generally prevailing in the industry, although higher guide rates may be used where the job content is substantially above standard.

In order further to ease the burden upon the mills directly affected by the Board order, a minority of the mills in the industry, it has been directed that reclassification wage adjustments are to become effective only as of the date of the directive order. It has also been determined that the increase of $0.05 per hour to all employees is to be made retroactive only to October 1, 1944. The date of expiration of previous contracts, which ordinarily provides the base date for retroactive adjustments, was in most of these cases in December 1943.

The problem of working out proper wage-rate differentials is particularly acute in the southern cases. The existing differential in the northern companies between the lowest paid common labor and the highest paid occupation of loomfixer averages about 45 cents per hour. One of the few job evaluation plans in this industry indicates that a 47 cents differential represents a reasonable differential in the light of the relative job content of the occupations at the bottom and the top of the wage structure.

As provided in the order, the Board does not intend to have the wage scales submitted piece-meal to the special panels but rather intends that for each plant the parties submit an over-all wage schedule.

THE NORTH-SOUTH DIFFERENTIAL

Many unwarranted generalities have been made about the "North-South differentials" in cotton textiles and of the alleged effect of the Board's order on this differential. Differences between the average wages paid by plants in the two producing areas are not particularly significant in appraising area differentials.

The average hourly wage for all the employees of an integrated weaving mill will normally be higher than a throwing plant or a spinning mill which leave a smaller percentage of skilled employees. A plant manufacturing specialty products which require a higher skilled labor force may, in general, be expected to pay higher average wages than a plant producing relatively coarse, standardized products.

Cotton textile mills in the northern producing area pay higher wages than those in the South. They do not, however, manufacture the same kind of fabrics. Higher wages and smaller job loads prevail in the manufacture of fine goods in the North, for example, as compared with the production of say print cloth in the South. The resulting difference in average hourly earnings or in unit labor costs cannot, of course, be considered as a North-South differential on comparable work.

With a wage-scale and job loads geared primarily to the production of fine goods, northern cotton textile mills are not generally in a position to manufacture coarser fabrics on a competitive basis. They cannot, properly claim, however, that the southern mills should therefore be required to increase to northern levels the wages they pay for the manufacture of coarser fabrics. The possibility of expanded production of fine goods in the South at lower labor rates there prevailing has apparently given concern to northern mills. It would appear that such problems might well be considered as such a basis rather than in terms of meaningless generalities about the North-South differential. A careful analysis of conditions in the two major areas in terms of wages paid, fabrics produced, skills required and work loads leads to the conclusion that there is presently no problem which can properly be dealt with in terms of a North-South differential as such.

The Board was concerned in the cases, therefore, not with area wage differentials but with intraplant relationships between specific job classification rates. The Board majority found that some mills, in both North and South, do not pay an adequate differential over the minimum rate adequately to compensate semiskilled and skilled labor. This happens to be characteristic of more southern mills than northern mills. Certain of the southern mills in these cases, however, were found to have reasonably balanced wage-rate structures.

In order to approach the reclassification problem in a fair and equitable manner, the Board analyzed the job rates for each major classification in each of the 54 companies in these cases. On the basis of prevailing relationships, key grade rates were established separately for each producing area. In this way, the Board has made certain that it has continued its long-established policy of not eliminating established geographical differentials.

The guide posts for key occupations have been set by the Board for use in bargaining by the parties for the purpose of establishing reasonably balanced internal plant wage structures where such structures do not exist. A comparison of these guideposts for key occupations indicates that the Board has not disturbed established area differentials.

(a) The first guide rate established is a 55-cent point for common labor in the southern companies and a 57-cent point for scrubbers and sweepers in the northern companies. This maintains the present relationship between these classifications in the two producing areas since the present rates are $0.50 and $0.52 per hour. A uniform 55-cent minimum rate has been set for both areas since there have been no area differences in the minimum wage over the past several years. Only a very few employees in northern mills receive a rate below that paid to scrubbers and sweepers. Battery hands in the North have been receiving $0.5203, which is actually less than the rate paid for such work in many southern mills. The present guide-rate of $0.57 in the North is confined to scrubbers and sweepers; the battery hands in northern mills are to be provided with a higher rate through collective bargaining under the conclusion of a majority of the Board that the battery hand rate now paid in the North represents an intraplant inequity.

(b) A rate of 61.5 cents is established as a guide rate for certain machine tending job classifications (card tender, picker tender, and spooler winder) in the southern companies. A base rate of 64.0 cents is set for these operations in the northern companies; earnings will average in excess of that figure in northern plants where incentive earnings are paid.

(c) A rate of 68.0 cents is established for spinning doffers in the southern companies as compared to 72.0 cents for the same classification in the northern companies.

(d) For plain automatic weavers, piece rates are to be so set in the southern companies so as to yield average straight-time hourly earnings of 75.0 cents for the group of these weavers in a mill as a whole. No comparable guide rate is established for weavers in the northern companies. The piece-rate system in northern plants applied to plain automatic weavers yields straight-time hourly earnings significantly greater according to the data in the record.

(e) A guide post of 90 cents is established for loomfixers in the southern companies as compared to 102.0 for the northern companies.

The extent of the differentials by job classification is underestimated by the above comparisons in three important respects. In the first place, the 5-cent limitation in section 3 of the directive order for the southern case will mean that at least eight of the southern companies involved in the case will apply lower guide rates than those specified as standard. In order to establish a balanced internal wage structure and remain within this 5-cent limitation, wage rates will have to be established in certain companies by the adoption of guide rates from 1 to 4 cents an hour below those specified in the Board's order for at least some of the job classifications.

In the second place, the directive order in the case of the southern companies provides that, in any plant, abnormal variations from generally prevailing standards of job content in the industry shall result in approximately different rates. In the event that the job content of an occupation in one of the southern companies is abnormally below that prevailing in the industry, a lower rate is appropriate under the order of the Board. A higher rate may, of course, be agreed to by the parties if that is justified by job content considerations. No similar provision is set forth in the case of the northern companies.

In the third place, the directive order in the case of the northern companies provides that job classifications paid on a piece rate or incentive basis that shall be subject to the "sixty-forty" rule now in effect in Fall River. This rule provides a continuing guarantee of piece work or incentive earnings. Practically, this rule means that straight-time average hourly earnings of workers on a piece-work or incentive basis in northern mills will exceed the applicable guide-post rates, while in the South the piece rates or incentive rates will be set so as to yield earnings equal to the applicable guide-post rates.

In summary, it is estimated that the average wage increase to all the New England mills directly affected by the Board's proposed order will be approximately $0.06 per hour; wages paid by the southern mills in the case will be increased by approximately $0.08 per hour as an average of all employees. These average figures, however, obscure the real nature of the wage adjustments. Most of the northern mills and a number of the southern mills will be required to pay but little more than the $0.05 general increase incident to the correction of substandards of living since their wage structures are now in a reasonably balanced relationship. These mills will not be affected by the reclassification adjustment. The largest increases under the Board's order will be required of those mills whose wage structures do not now provide an adequate differential over the minimum rate for semiskilled and for skilled occupations. The average wages of such mills may be increased by a total of $0.10 per hour: $0.05 to correct substandards and an additional $0.05 for the reclassification adjustment.

The reclassification adjustment directed by the Board affects more southern mills and to a greater extent, as compared to northern mills, for the simple reason that many more wage structures in the south are out of line with the balance maintained by fellow manufacturers in the same area.

EFFECT OF BOARD ORDER ON TEXTILE WAGE LEVELS

The wage adjustments to correct substandards of living and those necessary for reclassification of out-of-line rates for semiskilled and skilled employees will, on the basis of the figures submitted in the cases, increase the average straight time hourly wage of all employees in the 23 southern cotton mills from $0.57½ per hour to approximately $0.65½ per hour. The present straight-time average hourly earnings in the northern mills included in these cases will be increased from $0.66½ to $0.72½ per hour under the proposed directive orders. As noted previously, these figures cannot be considered as a "North-South differential." The work loads in the South are generally greater than in the North, but in the North the finer fabrics are made, involving a greater number of skilled employees.

THE RELATIONSHIPS OF TEXTILE WAGES TO TEXTILE PRODUCTION

The Board majority is of the opinion that the wage increases involved in these cases are amply justified under considerations of fairness and equity. The

adjustments to correct substandards of living, i. e., a $0.55 minimum wage and a $0.05 increase across the board, are but one phase of the case. The development of balanced wage rates structures through a program of reclassification is not only called for by the equity of the employees affected but are necessary for the effective prosecution of the war.

The wage problems of the present cases would be serious enough in peacetime. There is ample industrial experience to show that substandard wages and badly outof-balance wage rate structures are a deterrent to the efficient production in peacetime. Today and in this industry, they are an unnecessary hindrance to the war production program. Reports of other Government agencies, intimately concerned with production and procurement, make it very clear that the output of the cotton textile industry has been falling far short of the amounts needed for war purposes and for essential civilian uses. Ten of the southern mills involved in these cases manufacture duck, the shortage of which is so critical that price ceilings were entirely removed recently in an effort to encourage expansion of production. It would appear that even such drastic action on the price front does not get to the core of the problem which is the severe losses of manpower in this industry. In the judgment of the Board majority, these crippling manpower losses arise principally because of low wages paid to semiskilled and skilled employees.

Manpower losses have interfered with the necessary production of cotton textiles other than duck. Shortages of twills and gabardine, or denims for navy dungarees, and of bagging materials are so great that the military services are receiving allocations equal to only three-quarters of their requirements. Shortages of civilian fabrics are also serious.

Underlying the current inability of the industry to meet the full needs of war production is the steady and substantial loss of manpower from the industry. Between December 1942 and July 1944 there was a net loss of 76,000 workers from the cotton textile industry. The progressive deterioration of the industry's manpower situation is further reflected in the reduction in third shift operations. Currently, only 25 percent of the looms used on the first shift are also running on the third shift. This compares with a 50 percent operation on the third shift in 1942.

Various efforts have been made to meet the manpower problem in cotton textiles. Controls have been instituted by the War Production Board to confine the facilities of the industry to certain uses; to assign responsibility to various mills for filling rated orders; to limit the size and weight of certain textile pproducts and to limit the types of construction and measurement, etc. Likewise, various manpower devices have been tried, such as the use of a priority referral program and the use of soldiers in cotton textile mills (receiving Army pay in addition to the regular wages paid for the work performed). Comprehensive as these measures are, they have been insufficient to turn the tide of continually declining output.

Undoubtedly, the manpower difficulties cannot be eradicated by wage adjustments. There is neither rhyme nor reason, however, to make the crucial manpower and production problems virtually impossible of solution by continuing a $0.50 minimum wage and by limping along under grossly unbalanced wage-rate structures. Skilled employees have to be paid reasonable differentials for their contribution to the production of cotton textiles of the needs of the war for textiles are to be met.

GEORGE W. TAYLOR, *Chairman.*

NATIONAL WAR LABOR BOARD

In the Matter of 23 Southern Cotton Textile Companies and Textile Workers Union of America, CIO (Case Nos. 111-5110-D, 111-6308-D, 111-5822-D, 111-2527-D), 25 New England Cotton and Rayon Companies and Textile Workers Union of America, CIO (Case Nos. 111-7739-D, 111-4841-D, 111-6554-D, 111-4593-D, 111-6301-D, 6 New York and Pennsylvania Rayon Companies and Textile Workers Union of America, CIO (Case Nos. 111-7107-D, 111-7150-D, 111-8105-D). March 9, 1945

OPINION OF LABOR MEMBERS

Our comments on the decision in this case are confined to three issues: (1) the minimum wage, (2) the shift premium, and (3) the effective date of the order.

SUBSTANDARDS

The order establishing the minimum rate at 55 cents per hour illustrates once again the unwillingness of the Board to match its actual decisions with its good intentions. The majority opinion recognizes that "The National War Labor Board unquestionably has the power and the duty to increase wages when clearly necessary to correct substandards of living." In their recent report to the President the Public Members stated: that the situation of the lower income wage and salary workers, upon whom the increase in the cost of living has fallen with disproportionate severity, has remained unsatisfactory under the wartime economy." Yet this apparent recognition and understanding has never been translated into any effort to determine what constitutes a decent minimum standard of living. It would seem almost too elementary to assert that substandards cannot be corrected without first establishing some sort of standard that has some rational connection with reality. But evidently the sheer simplicity of this proposition is a fatal weakness, for it has never been accepted by the Board.

Until very recently the farthest advance made by the Board, pursuant to its authority to correct substandards, was to permit voluntary wage adjustments not in excess of 50 cents an hour, without Board approval. Since February 28, 1945, voluntary adjustments may be made up to 55 cents per hour, subject only to a routine examination and practically automatic approval. These limits have absolutely no relation to any standard of living. They are arbitrary administrative regulations which the Board has never even attempted to rationalize.

We believe that the very least that the Board must do, as a first step toward discharging its duty, is to determine what wage rate is necessary in order to maintain a decent minimum standard of living. It should then permit voluntary adjustments up to that rate without question.

The Board has conceded this much in voluntary cases, that adjustments may be made to the limits now established, without regard to local wage levels. In dispute cases, however, it has heretofore established the policy that decisions must be based on considerations of local wage levels. The justification for this distinction, according to the majority opinion, is that we must "avoid, as far as possible, the creation of wage instabilities in a labor market." It seems obvious to us that such "instabilities" may be caused to an equal extent by voluntary adjustments. Since the argument is not made in the latter cases it should not be made in the former. Furthermore, even the most zealous stabiliber cannot justify any concern for "instabilities" in such low rates.

We must, of course, express our approval of the slight step forward achieved by this decision. The majority opinion properly declares that " the National War Labor Board has a duty to exercise its judgement in establishing a minimum wage above generally prevailing levels to correct substandards of living. * * *" This much is a cautious but definite advance over previously stated policy. But the statement adds "* * * when that is feasible to the employer and equitable to the employees." We can conceive of no situation when a wage increase bringing employees closer to a minimum standard of living should be inequitable to employees. Feasibility to the employer means ability to pay, which has no necessary relation to prevailing levels of wages.

Even this cautious approach was not followed through in the present case. The Board orders a minimum of 55 cents an hour on the basis of its conviction that this wage "can now be effectuated in the industry without creating employment instability." That is a studied understatement. There is substantial evidence that the employers are well able to pay a minimum wage of least 60 cents an hour. There is no creditable evidence that such a rate would cause "instability." So far as equity to the employees is concerned, the union produced a mass of uncontradicted evidence that at least 72 cents an hour was necessary to maintain a barely decent minimum standard of living. The majority opinion points out, also, that the textile manufacturing industry is far and away the

lowest paying basic industry in the country. In short, no sound reason has been stated for refusing to grant the union's demand for a 60-cent an hour minimum wage. We supported the decision only because of the necessity for obtaining a majority vote of the Board.

SHIFT PREMIUM

The Board has ordered the companies in this case to pay a third shift premium of 5 cents an hour. The Board's refusal to grant the union's demand for a premium of 7 cents an hour flies squarely in the face of its own well established policy. Even in industries where there had been no practice of paying shift premiums the Board has ordered third shift premiums greater than 5 cents an hour. Most recently, in the steel case (*Carnegie-Illinois Steel Corporation, et al.*, decided Nov. 25, 1944 (19–WLR–568)) the third shift premium was instituted at 6 cents an hour. In the nonferrous metal cases (*Vanadium Corporation of America, et al.*, decided Aug. 11, 1945 (18–WLR–215)) a new third shift premium was established at 8 cents an hour. There has been little question, for many months now, that the Board would order or approve 10 cents an hour for third shifts in noncontinuous operations. Textile manufacture is a noncontinuous operation. This practice of the Board is too well known to require citation of precedents. Nevertheless, despite these considerations, the third shift premium was set at 5 cents in this case without an effort even to assign a plausible reason for this divergence. Apparently the fact that the wages of these workers are now substandard makes the burden of working the late shift less onerous for them than for better paid workers. To him that hath little shall be given less!

RETROACTIVITY

The effective date of the order follows no discernible pattern, or rather it is a confusion of all the patterns the Board has used for determining the effective date of its orders. The general policy, applied in nearly all disputes, is that the effective date of the order shall be the expiration date of the previous contract, or in the event of no prior contract, the date of the certification of the dispute to the Board. This policy is applied only to the vacation provision of the present order. The 5-cent general increase, however, is made retroactive only to October 1, 1944. The reclassification wage adjustments and the shift premium are to be effective only from the date of the directive order. The justification given for this arbitrary arrangement is that it is necessary "In order further to ease the burden upon the minority of the mills affected directly by the order * * *." This tender solicitude for an industry whose war profits are 10 times greater than their peacetime profits is an attitude that will, of course, be deeply appreciated by 55-cent an hour workers. The justice of the claim of these workers for wage adjustments did not arise on October 1, 1944. The arguments which justify an increase as of that date would justify one for a year earlier, when the prior contracts were expiring, and at the very least back to the certification dates of these disputes.

The bargain-counter nature of the action in this case is all the more inexcusable by reason of the fact that this case was actually decided during the first week in January 1945. Had differences of opinion not arisen with the Director of Economic Stabilization over unrelated aspects of policy, this order would have been issued more than 2 months earlier. It is precisely accidents of this nature which necessitate the establishment, and consistent observance, of a stable policy on retroactivity.

Certainly there is nothing in the nature of the wage issues in this case which required special treatment. In the steel case cited above, the Board decided very similar issues, and made its order effective as of the expiration dates of the prior contracts. There are no considerations of policy, practice, or expediency which justify different action in this case.

VAN A. BITTNER.
ROBERT J. WATT.
NEIL BRANT.
JAMES A. BROWNLOW.

NATIONAL WAR LABOR BOARD
DIVISION OF PUBLIC INFORMATION
PRESS RELEASE

INDUSTRY DISSENTING OPINION

For release in morning papers of Wednesday, March 28, 1945

B–1963–C
Textiles

(Cleared and released through the facilities of the Office of War Information)

Industry members of the National War Labor Board today issued a dissenting opinion to the Board's decision in the textile cases in which they stated that neither the past record of the industry nor the over-all manpower situation justify the inference that increases ordered by the Board will have a favorable effect on employment in the textile industry.

The opinion quoted and reaffirmed the industry members' statement of February 23 (B–1963A) which said "the considerations, both of policy and of practical consequence, are in our opinion overwhelmingly against the action taken by the majority."

The Board orders of February 20 and March 31 were issued in settling disputes between 23 southern cotton textile companies, 25 New England cotton and rayon companies and 6 New York and Pennsylvania rayon companies and the Textile Workers Union of America, CIO, bargaining agent for the more than 50,000 employees involved.

Chairman George W. Taylor issued an opinion for the Board majority on March 18 (Release B–1963B) in which he said that "it simply doesn't make sense to continue to hamper the production of urgently needed supplies of cotton textiles by continued payment of the existing substandard minimum wages and by continued use of grossly unbalanced wage rate structures."

The Board's orders provided for a 55-cent hourly minimum rate as a move toward the correction of substandards of living; a 5-cent hourly increase in all rates above 50 cents an hour to maintain the minimum differentials between immediately interrelated job classifications, and directed the parties to negotiate well-balanced wage-rate structures using the guidepost rates provided for certain key-jobs by the Board. All employees were to receive 5 cents an hour retroactively as of October 1, 1944.

Pursuant to the directive of March 8 of the Economic Stabilization Director, all compensation provisions, exclusive of the correction of wage-rate structures, are to become effective upon determination of the Office of Price Administration that no change in price ceilings is necessary, or, if price relief is necessary, upon approval of the Director of Economic Stabilization. As to the correction of wage-rate structures, the Board directed the parties to proceed with the collective bargaining and to report their results to the Board for approval.

The opinion of the industry members contended that the 55-cent minimum wage for unskilled workers cannot aid the textile industry in obtaining manpower when it applies "as it now does by later Board action, to all other industries as well." The "later Board action" referred to is the Board's resolution of February 26 in which, by unanimous vote, it authorized its regional boards to "determine what rate or rates up to 55 cents an hour constitute substandard or salary rates in their regions for the purpose of permitting consideration of the proposed adjustments up to the specified minima." Previously a 50-cent figure was used.

"A careful comparison of the differences between the 'peg points' established by the orders, and the differentials shown by the Bureau of Labor Statistics, indicates even more clearly that present differentials (between the North and the South) have, in fact, been materially narrowed," the opinion said.

It contended that the majority opinion statement that "the new wage structure embodies a so-called best practice, based on one of the few job analyses in the industry" is unfounded.

"We have no reason to believe," the opinion said, "that the textile industry is so completely homogeneous that we can say that one wage structure will fit it

all, and that the historic wage structure means nothing. * * * The ordering by the majority of a whole new wage structure * * * seems * * * perilously close to the outer limits of the Board's autthority."

The opinion concluded by contending that "there can be no justification for giving a retractive wage increase to October 1, 1944, when Board policy prohibited such an increase on that date."

The dissenting opinion of the industry members is attached.

NATIONAL WAR LABOR BOARD

In the Matter of 23 Southern Cotton Textile Companies and The Textile Workers' Union of America, CIO (Case Nos. 111–5110–D, 111–6308–D, 111–5822–D, 111–2527–D). March 20, 1945

DISSENTING OPINION OF THE INDUSTRY MEMBERS

On February 23, 1945, the industry members issued a statement on the wage increases ordered by a majority of the Board in these cases. We stated:

"We have, here, a group of 23 southern tetxile companies. The apppropriate government agencies, though asked to do so, refused to certify them, as a group, as so essential to the prosecution of the war that they could be given by us a 'rare and unusual' status. Some of the individual companies, we were told, warranted that classification, but the whole group did not.

"A majority of the Board has ordered a 55-cent minimum wage, in the teeth of the fact that the Board has long had a policy defining a substandard wage in terms of a 50-cent minimum. The 55-cent minimum is 37½ percent higher than the highest minimum under the Fair Labor Standards Act. In order to increase the minimum here involved, give a 5-cent and more across-the-board, general, increase to all employees. The result will be increases in these 23 mills since January 1941 totaling far more than double the amount permitted by the Little Steel Formula—indeed, the increases will be near 50 or 60 percent.

"But that is not all the Board has done. It has imposed the new 55-cent minimum, and across-the-board increases, on a small segment of the textile industry—even of the southern textile industry. In the South alone, this case affects but 23 out of 854 plants—less than 3 percent. It affects but about 17,500 employees out of 360,000—less than 5 percent. The Board imposed on these companies a burden which may well make it very difficult for them to operate in competition with the vast majority of the rest of the southern industry. And if it be said that the condition will soon ameliorate itself because the rest of the industry in the South will necessarily fall in line, the Board is imposing on that industry an added wage bill—estimated at about $71,600,000 per year—which may have serious reprecussions on the entire southern economy.

"The considerations, both of policy and of practical consequence, are in our opinion overwhelmingly against the action taken by the majority. The gravity of the case compels this statement of our dissent."

We see no reason, now, to change that statement. We do believe, however, that it is appropriate to incorporate it in this dissenting opinion, and, in view of the majority opinion, to add one or two additional comments.

1. The majority opinion suggests that the action of the Board in increasing the wage rates in these textile cases may have a favorable effect on employment in the industry. Neither the past record of the industry nor the over-all manpower situation justifies that inference. Wage increases since 1941 have not been followed by any increases in the number of employees, nor by any improvement in the absentee rate. Moreover, a 55-cent minimum wage for unskilled workers certainly cannot aid the textile industry when it applies, as it now does by later Board action, to all other industries as well.

The present manpower needs of the textile industry are, in fact, common to all industry, including those with much higher wage scales, such as shipyards and rubber tires. Employment in the textile industry has, it is true, been reduced from the peak of 1942. In the textile industry, the reasons are independent of wage rates. Mushrooming war industries needed workers, and established peacetime industries have been the source of workers for the new or expanded war plants. Recruiting campaigns for shipyards, airplane plants, machine shops, ordnance works and the like are even now being carried on in the mill villages of the South under the auspices of the War Manpower Commission. Textiles are in priority group "6" of the War Manpower Commission, while war plants are in groups "1," "2," or "3." Selective service itself has taken approximately 25 percent of the workers in the industry.

2. The majority opinion characterizes as "unwarranted generalities" the argument of the companies that the decision tends to eliminate long-established textile wage differentials between the North and the South. The majority does not, and could not, deny that the Board has consistently disavowed any intention of eliminating this differential, and, indeed, has agreed that it was no part of the Board's functions to do so. Yet the majority opinion itself admits that the average increase in the New England mills affected by the Board's order will be approximately 6 cents per hour, and that the average increase in the southern mills will be approximately 8 cents per hour. On their own statement, the differential is decreased by 2 cents per hour. Actually, we believe that the differential will be decreased by substantially more than 2 cents per hour. In addition, a careful comparison of the difference between the "peg points" established by the orders, and the differentials shown by the Bureau of Labor Statistics, indicates even more clearly that present differentials have in fact, been materially narrowed.

3. The majority opinion states that the new structure embodies so-called "best practice," based on one of the few job analyses in the industry. We have no reason to believe that the textile industry is so completely homogeneous that we can say that one wage structure will fit it all, and that the historic wage structure means nothing. Until scientific job analyses have been made for each mill, "best pratcice" is not necessarily what one mill does, but what sound and tested experience has shown to be best in a given factual, practical situation. Differentials between mills are, to a degree, like differentials between areas. They are the results of long development. The ordering by the majority of a whole new wage structure which ignores all of this seems to us not only unwise, but also perilously close to the outer limits of the Board's authority.

4. A final word is warranted with respect to the retroactive date for the 5-cent increase—October 1, 1944. That is, admittedly, a compromise date. But the fact that it is a compromise highlights the inequity of the retroactive award. In this case, aside from the fact that in most instances there was no real collective bargaining on wages prior to certification, resolutions of most of the original boards, including those in the South, announced in February 1944 that no wage increases would be permitted unless geared to the then authorized 50-cent minimum rate. The mills here involved were, in other words, prohibited from that date from doing what the majority of the Board now orders them to do. There can be no justification for giving a retroactive wage increase to October 1, 1944, when Board policy prohibited such an increase on that date.

CLARENCE O. SKINNER.
VINCENT P. AHEARN.
WALTER T. MARGETTS.
CHARLES S. ROBERTS.

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For release in morning papers
Of Friday, April 6, 1945

B–1963D
Textile

(Cleared and released through the facilities of the Office of War Information)

Any of the 54 textile companies involved in the February 20 decisions of the National War Labor Board which have not requested price relief are to put the wage adjustments ordered by the Board into effect immediately under a resolution the Board adopted today.

The Board's orders provided for (1) a 55-cent hourly minimum rate as a move toward the correction of substandards of living (2) a 5-cent hourly increase in all rates above 50 cents an hour to maintain the minimum differentials between immediately interrelated job classifications necessary for the maintenance of productive efficiency; (3) a premium of 5 cents an hour for third-shift work in the southern cases, and (4) 1 week vacation with pay for those employees who have 1 year of service with the 11 southern companies where vacations was an issue. Five cents an hour is to be paid to all employees retroactive to October 1, 1944, unless the parties agree otherwise.

In supplementary directive orders of March 13, the Board directed that these adjustments should become effective only on determination by the Office of Price Administration that they would not require any change in price ceilings, or upon approval by the Director of Economic Stabilization. This stay still applies to those cases where the companies have asked price relief.

The Board also directed all the companies and the Textile Workers Union, CIO, bargaining representative for the 50,000 employees involved, to negotiate corrected wage-rate structures using certain key rates as guide posts. The results of this collective bargaining are to be submitted to the Board for approval before the new wage structures are put into effect.

Involved are 23 southern cotton textile companies, 25 New England cotton and rayon companies, and 6 New York and Pennsylvania rayon companies.

The Board's resolution is attached.

NATIONAL WAR LABOR BOARD

In Matter of 23 Southern Cotton Textile Companies and The Textile Workers' Union of America, CIO (Case Nos. 111-5110-D, 111-6308-D, 111-5822-D, 111-2527-D), 25 New England Cotton and Rayon Companies and The Textile Workers' Union of America, CIO (Case Nos. 111-7739-D, 111-4841-D, 111-6534-D, 111-4593-D, 111-6301-D), 6 New York and Pennsylvania Rayon Companies and The Textile Workers' Union of America, CIO (Case Nos. 111-7107-D, 111-7159-D, 111-8105-D). April 5, 1945.

RESOLUTION

Whereas the supplementary directive orders in the textile cases issued on March 13, 1945, provided that certain adjustments shall become effective only upon determination by the Office of Price Administration that these adjustments will not require any change in price ceilings, or, if no such determination is made, then upon approval by the Director of Economic Stabilization, and

Whereas certain companies involved in the textile cases have not requested price relief; It is hereby

Resolved, That the provisions of said directive orders which were stayed because of the possibility that price relief might be required shall become effective immediately as to those companies which did not request price relief.

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For release in morning papers
On Monday, April 16, 1945

B-1963-E
Textile Commissions

(Cleared and released through the facilities of the Office of War Information)

The National War Labor Board announced today it had created two textile commissions in order to effectuate the provisions of its directive orders of February 20 in the cases of 23 southern cotton textile companies, 25 New England cotton and rayon companies, and 6 New York and Pennsylvania rayon companies.

One commission will have headquarters in Atlanta, Ga., and the other in Boston, Mass.

The southern commission will have jurisdiction to approve agreements and to decide disputes with respect to the 23 southern companies covered by the directive order and such other companies as the Board may designate.

The northern commission will have the same jurisdiction over the 25 New England companies, the 6 New York and Pennsylvania rayon companies, and such other companies as the Board may designate.

Both commissions are subject to the provisions of the Board's directive orders of February 20 and the principles and limitations contained in them. These orders directed the parties "to establish through collective bargaining a more balanced and properly aligned wage rate structure in which the rates for semi-skilled and skilled employees provide a reasonable differential above the minimum rate."

Guidepost rates for certain key occupations were set forth in the orders in order to insure a proper alignment of the wage schedule in the negotiations. These key rate guides were not identical in all three cases because they are based on area rates.

The orders provided that any agreement reached during these negotiations were to be submitted to a special panel for approval. Also any matters in dispute at the end of the negotiations were to be submitted to the panel for determination.

Each commission will consist of three members—one each representing the public, industry, and labor—with the public member as chairman.

David L. Cole, former chairman of the New Jersey State Board of Mediation, was made chairman of the northern commission, and Richard Lester, professor of economics at Duke University, Durham, N. C., was named chairman of the southern commission.

Mr. Cole is a public member of the second regional WLB at New York City and was chairman of the NWLB's "basic steel" panel. He is a member of a Paterson, N. J., law firm and during 1941-42 was president of the fair rent commission in Paterson. He is a graduate of Harvard University and Harvard Law School. He was associate counsel of the Silk Textile Code Authority of the NRA.

Mr. Lester has been a special mediation representative and public panel member of the fourth regional WLB at Atlanta. During 1941-42 he was associate chief and later chief of the Industry Branch Consultant Service of the Labor Division of the War Production Board and the War Manpower Commission. He holds M. A. and Ph. D. degrees from Princeton University.

Labor and industry members will be named later.

The decisions of each commission are to be subject to stay and review by the National Board in the same manner as decisions of the regional boards, except that the Board will "in any case consider the merits of a petition for review from any ruling or order of either commission which is claimed to conflict with one or more of the 'guideposts' or other limitations and principles set forth in the applicable directive order of February 20 * * *."

The Board instructed its regional boards that if there is any case involving the textile industry before them in which the regional board finds that the internal wage structure should be corrected in the same manner as the textile decisions and concludes that the case should be placed under the jurisdiction of either of the textile commissions, it should so certify to the National Board, which, if it approves, will extend the jurisdiction of the appropriate commission to cover that case.

The commissions will not have jurisdiction over any matters unrelated to those portions of the Directive Orders dealing with the rationalization of the wage structures on an over-all basis. This means the regional boards will continue to handle incidental intraplant wage rate inequity cases as well as all other textile wage and dispute cases.

The Board's order establishing the commissions is attached.

NATIONAL WAR LABOR BOARD

Washington, D. C.

DIRECTIVE ORDER ESTABLISHING TEXTILE COMMISSIONS

By virtue of and pursuant to the powers vested in it by Executive Order 9017 of January 12, 1942, the Executive orders and regulations issued under the act of Congress of October 2, 1942, and the War Labor Disputes Act of June 25, 1945, and in order to effectuate the provisions of the directive orders of February 20, 1945, in the cases of 23 southern cotton textile companies, 111-5110-D, etc., 25 New England cotton and rayon companies, 111-7739-D, etc., and 6 New York and Pennsylvania rayon companies, 111-7107-D, etc., the National War Labor Board hereby directs:

I. There are hereby created two textile commissions, one with headquarters at Atlanta, Ga., and the other with headquarters at Boston, Mass., with jurisdiction as follows:

A. *The commission at Atlanta, Ga.*—With respect to the 23 southern cotton textile companies covered by the Directive Order of February 20, 1945, and such other companies as the Board may from time to time designate, this commission

shall have jurisdiction to approve agreements and to decide disputes submitted to it, subject to the provisions of said directive order and the limitations and principles contained therein.

B. *The commission at Boston, Mass.*—With respect to the 25 New England cotton and rayon companies and the 6 New York and Pennsylvania rayon companies covered by the Directive Order of February 20, 1945, and such other companies as the Board may from time designate, this commission shall have jurisdiction to approve agreements and decide disputes submitted to it, subject to the provisions of said Directive Orders and the principles and limitations contained therein.

II. Each commission shall consist of three members to be appointed by the Board, one of whom shall represent labor, one industry and one the public. The public member shall act as chairman. The Board may at any time appoint alternates or substitutes for the members of each commission. The labor and industry members of each commission, whether alternate or substitute, shall serve on a per-diem basis and shall be appointed by the Board from nominees submitted by the labor and industry members of the Board, respectively. The presence of all three members of each commission shall be necessary to constitute a quorum and a majority vote shall determine the decision of the commisison.

III. The rulings of each commission on wage or salary adjustments and its directive orders in dispute cases shall have the same effect, and be subject to stay and review by the National War Labor Board to the same extent, as rulings and orders of the Regional War Labor Boards, as set forth in parts IV to VI of the Board's Rules of Procedure, as amended, except that, in addition to the review therein provided for, the Board shall in any case consider the merits of a petition for review from any ruling or order of either commission which is claimed to conflict with one or more of the "guideposts" or other limitations and principles set forth in the applicable Directive Orders of February 20, 1945, referred to above.

IV. Each commission shall transmit regularly to the Board copies of its decisions and rulings and such additional data and reports as the Board may from time to time require.

NATIONAL WAR LABOR BOARD

DIVISION OF PUBLIC INFORMATION

PRESS RELEASE

For immediate release
Thursday, April 19, 1945

B-1963F
Textiles

(Cleared and issued through the facilities of the Office of War Information)

The National War Labor Board today released the following letter from the Director of Economic Stabilization approving the recent textile decisions:

OFFICE OF ECONOMIC STABILIZATION,
Washington, D. C., April 17, 1945.

Re: 23 Southern Cotton Textile Companies, 25 New England Cotton and Rayon Companies, 6 New York and Pennsylvania Rayon Companies, and the Textile Workers Union of America, CIO (Cases Nos. 111-5110-D, 111-6308-D, 111-5822-D, 11-2527-D, 111-7739-D, 111-4841-D, 111-6534-D, 111-4593-D, 111-6301-D, 111-7107-D, 111-7159-D, 111-8105-D).

Hon. GEORGE W. TAYLOR,
Chairman, National War Labor Board,
Department of Labor Building, Washington 25, D. C.

DEAR DR. TAYLOR: I have received a report from the Office of Price Administration with reference to the price consequences of the textile wage increases granted under the War Labor Board's Directive Orders of February 20, 1945, as supplemented by its Orders of March 13, 1945, in the above cases. Neither this Office nor the Office of Price Administration have taken into consideration the wage adjustments that may possibly result from the provision of the Board's February 20th orders which direct the parties to negotiate "a more balanced and properly aligned wage rate structure" as more specifically indicated in those

orders. If the Office of Price Administration subsequently reports that the adjustments ultimately approved or ordered by the Board in that connection will require price relief, this Office will make a final determination thereon.

The Office of Price Administration reports that the authorization of wage increases for the 54 companies involved in the wage proceedings would not in itself require an industry-wide increase in the maximum price of any of the major items which such firms produce, although some of the participating companies may become entitled to individual price adjustments. Insofar as the principles approved in the wage decisions may be applied to companies not participating in the proceedings there might likewise be cases in which the company would become entitled to an individual adjustment, but the Office of Price Administration finds that it is unlikely that individual adjustments, even if the wage increase becomes industry-wide, would materially affect the level of industry prices. Whether an extension of the wage increase generally throughout the industry would at some future time require price increases for major textile items cannot be positively determined at the present time, but the Office of Price Administration concludes that any such future price increases would be of small percentage amounts even if it could be assumed that the wage increases would result in equivalent increases in labor costs, without offset for increased productivity, and that wage increases in the amount authorized will immediately become general for all firms in the industry. It is recognized that these assumptions are in some measure contrary to fact or probability, that the War Labor Board found that the proposed wage increases would increase labor productivity, and that any improvement in labor supply would make possible increased production which would materially affect labor costs. Furthermore, the Office of Price Administration calls attention to certain offsetting factors which might so change the situation in the future that no over-all price adjustment would become necessary in any event.

A majority of the War Labor Board found the wage adjustments granted in these cases to be "clearly necessary to correct substandards of living," in accordance with Executive Order 9328, paragraph 2. Under these circumstances, I have not hesitated to approve such wage adjustments.

For the foregoing reasons, and pursuant to the provisions of title II, paragraph 2, of Executive Order 9250, the wage increases granted by the War Labor Board's Directive Orders of February 20, 1945, as supplemented by its directive Orders of March 13, 1945, in these cases are approved and may be put into effect.

I take advantage of this opportunity to call the attention of everybody concerned—management, labor organizations, and the workers themselves—to the fact that an immediate and substantial increase in the total production of textiles is of supreme importance to the stabilization program. The acute need for greater production of textile goods is of almost unique significance in its critical relation to the fight to hold the cost of living down. I believe that the decisions of the War Labor Board have laid a broad foundation for sound employee relationships and for productive employment conditions in the industry. I urge everyone to now take full advantage of this favorable situation and by concerted action to plan for and achieve higher and higher levels of textile productions.

I hope that you can convey to the interested parties the views expressed in the foregoing paragraph when you notify them that the wage adjustments may now be put into effect.

Sincerely yours,

WILLIAM H. DAVIS, *Director.*

Senator TUNNELL. Is there anyone else who would like to be heard?

Mr. POTOFSKY. Mr. Chairman, I am the general secretary-treasurer of the Amalgamated Clothing Workers of America. Miss Gladys Dickason, the director of research, Amalgamated Clothing Workers of America, has arranged the program of witnesses.

Senator TUNNELL. All right, Miss Dickason.

Miss DICKASON. I wish to present, members of the committee, Mrs. Lucille Durham, of Fayetteville, Tenn.

TESTIMONY OF MRS. LUCILLE DURHAM, AMALGAMATED CLOTHING WORKERS OF AMERICA, FAYETTEVILLE, TENN.

Senator TUNNELL. All right, Mrs. Durham. What is your work?

Mrs. DURHAM. I worked in the Blue Ridge Shirt Manufacturing Co. until I was laid off on a phone call this summer.

Senator TUNNELL. What do you do?

Mrs. DURHAM. Setting pockets on shirts.

Senator TUNNELL. How long have you worked there?

Mrs. DURHAM. I began working in the factories in 1930.

Senator TUNNELL. At what wages did you begin working in 1930?

Mrs. DURHAM. I started in at $2.50 a week.

Senator TUNNELL. Do you mean $2.50 for a 6-day week?

Mrs. DURHAM. No, sir; five.

Senator TUNNELL. Have your wages been increased?

Mrs. DURHAM. Well, I worked about 3 months at $2.50, then the plant shut up. I did not go back to work there. I got married and in 1937 I started to work in L. N. Gross & Co. in Fayetteville. That is a dress factory.

Senator ELLENDER. Do you know why the plant shut down?

Mrs. DURHAM. I think they went bankrupt. I won't say that for sure, because I don't remember.

Senator TUNNELL. Probably it was the high wages.

Mrs. DURHAM. I have been told that several lost money in it. I started working for the dress factory in 1937.

Senator TUNNELL. How many hours a day? What did you get there?

Mrs. DURHAM. Eight. I worked for 6 weeks on a 5-day week for a dollar a day. They raised me a quarter and I worked 6 weeks longer for $1.25. Then they raised me to $1.75. I worked 6 weeks for $1.75, and then they raised me to $2, and Mr. Gross came down from Cleveland and said if we did not go on piecework he was going to close the plant. We went on piecework and I could make more on piecework than the $2 a day. Then, when they found out that the hands could make more working like that, they began to cut down on the piecework rates. They moved from one thing to another so that we made just $2 each day we worked. I worked there along until the first of 1940 and then the plant shut down, or, anyway, it closed down for the lack of work, and I was off a few months, and then I went back.

Senator ELLENDER. Why did it close down?

Mrs. DURHAM. Lack of work, they said; they could not get the material.

Senator ELLENDER. Oh.

Mrs. DURHAM. Then, I went back and worked 2 months and then I was off again, on account of lack of material. Then, I went to the Blue Ridge shirt factory and went to work. I started in there at 25 cents an hour.

Senator TUNNELL. Twenty-five cents an hour?

Mrs. DURHAM. That is right.

Senator TUNNELL. When was that?

Mrs. DURHAM. In 1941. I worked, I think it was 6 weeks before I got 32 cents—I think it was; I think they raised it from 25 to 32, but

I won't say for sure. Then, I worked until the night shift was laid off, and I went back to the L. N. Gross & Co., and worked awhile there. In 1942, if I am not mistaken, we got 40 cents an hour, and I worked there until we got short of work and I was laid off, and I went back to the shirt plant to work, because I have three children to support.

Senator TUNNELL. How many?

Mrs. DURHAM. Three. I went back to work at 40 cents an hour, and I worked for 40 cents an hour, which is all I ever got.

Senator TUNNELL. Are you and your husband living together?

Mrs. DURHAM. My husband is dead.

Senator TUNNELL. And you have three children to support?

Mrs. DURHAM. Yes.

Senator TUNNELL. You get 40 cents an hour; how many hours a week do you work?

Mrs. DURHAM. Forty.

Senator TUNNELL. That is $16. Do you have your own home, or do you rent?

Mrs. DURHAM. I rent two small rooms in what has been a barn and made into a dwelling house now.

Senator TUNNELL. Did they change it?

Mrs. DURHAM. I think they just floored it, that is all.

Senator TUNNELL. You have two small rooms in a barn?

Mrs. DURHAM. Yes.

Senator TUNNELL. Are there other apartments in the rest of the building?

Mrs. DURHAM. Yes, sir; it is made into a six-room apartment house.

Senator TUNNELL. That is, six 2-room apartments?

Mrs. DURHAM. No; three families live there; two rooms each.

Senator TUNNELL. What rent do you pay?

Mrs. DURHAM. $1.50 per week.

Senator TUNNELL. That leaves you about $14.50 after you pay your rent?

Mrs. DURHAM. Well, when they get through taking out on my check, I only have $15.64 left.

Senator TUNNELL. Then you pay $1.50 out of $15.64?

Mrs. DURHAM. Yes, sir.

Senator TUNNELL. That leaves $14.14.

Mrs. DURHAM. I haven't got figures on it. I can't tell you how much is left.

Senator TUNNELL. Well, can you support yourself and three children on that?

Mrs. DURHAM. No, sir, I certainly can't.

Miss DICKASON. May I ask the witness some questions?

Senator TUNNELL. Go ahead.

Miss DICKASON. In the first place, will you tell the members of the committee how far you went in school?

Mrs. DURHAM. I got to the sixth grade. I had got started in it. My mother died. She left four babies. She left one 4 weeks old, one 6 years, and she left one 2 years, and I was the oldest, and I had to stay home and take care of them.

Miss DICKASON. How old were you then?

Mrs. DURHAM. Eleven.

Miss DICKASON. How old were you when you started working in the factory?

Mrs. DURHAM. I was near 14, but I told them I was 16, to get the work.

Senator TUNNELL. You say you do not get enough to live on. Now, how much do you think you would need to live decently?

Mrs. DURHAM. Well, several things.

Senator TUNNELL. All right, tell us.

Mrs. DURHAM. If you cooked beans and potatoes, and things like that, every day, would you call that living?

Senator TUNNELL. I am trying to find out what the condition is. I am not saying that it is right.

Mrs. DURHAM. I cannot have any clothes for my children. We had to cut down on the food we got.

Miss DICKASON. Where do you get your children's clothes?

Mrs. DURHAM. My brother and my daddy give me all their clothes and I make them over.

Miss DICKASON. Do you make the suits for them yourself?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. Where did you get the dress you have got on?

Mrs. DURHAM. I made it.

Miss DICKASON. How much did that dress cost you?

Mrs. DURHAM. $3.

Miss DICKASON. So, you make your boys' clothes out of the old clothes that your father and your brother give you?

Mrs. DURHAM. Yes, ma'am.

Mrs. DICKASON. How old are your boys?

Mrs. DURHAM. I have one that will be 14 in December, and one will be 12 Sunday, and I have one 10 the 29th of November.

Miss DICKASON. Are all three of your boys in school?

Mrs. DURHAM. No; my oldest boy works for the Pure Milk Co. in Fayetteville at 75 cents a day. He has been out of school 2 years.

Miss DICKASON. Why did you take him out of school?

Mrs. DURHAM. Because I could not afford it.

Miss DICKASON. When did your husband die?

Mrs. DURHAM. The 8th of January this year. He was unable to work 3 years.

Miss DICKASON. Your husband was sick and you had to take your boy out of school and he went to work and was making 75 cents a day?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. How much a week does he make?

Mrs. DURHAM. $5.

Miss DICKASON. What does he do with his money?

Mrs. DURHAM. He takes it and keeps himself in clothes, shoes, and things he has to have, and helps me with the other two children.

Miss DICKASON. You let him keep his money, but he buys clothes for himself, shoes, and things for the other children?

Mrs. DURHAM. No; I don't let him keep his money always. If we need coal or food I take it from him.

Miss DICKASON. Do your other boys do anything to help you out?

Mrs. DURHAM. I have one that has taken a paper route a week ago. He gets $1.50 a week.

Miss DICKASON. Did either of the boys work during the summer?

Mrs. DURHAM. I had one to pick apples in the summer to buy his school clothes.

Miss DICKASON. Your boy that gets $1.50 for the paper route, what does he do with that $1.50?

Mrs. DURHAM. Well, I let him buy shoestrings, toothbrushes, toothpaste, or whatever he needs, and let him have show fare, which is 12 cents, on Saturday.

Miss DICKASON. You said you do not like to eat potatoes and beans all the time. Do you ever buy any oranges?

Mrs. DURHAM. No, ma'am. There are very few that I ever get.

Miss DICKASON. When do you get those?

Mrs. DURHAM. Mostly Christmas.

Senator TUNNELL. How about milk?

Mrs. DURHAM. I do try to get 2 quarts of milk a day for my children.

Senator TUNNELL. What does that cost you?

Mrs. DURHAM. Buttermilk, 9 cents; and sweet milk, 15 cents.

Senator TUNNELL. 15 cents a quart?

Mrs. DURHAM. Yes.

Senator TUNNELL. You get one of each?

Mrs. DURHAM. Yes, sir.

Miss DICKASON. How much does your food cost you a week for what you do buy?

Mrs. DURHAM. My grocery bill runs around $12 a week.

Miss DICKASON. Your rent is $1.50?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. Do you carry any insurance?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. Tell us about that, will you?

Mrs. DURHAM. I carry burial insurance.

Miss DICKASON. How much does that cost you?

Mrs. DURHAM. It costs me 25 cents every 3 months, for the four of us.

Miss DICKASON. When your husband died this spring, he being sick for a while, you received this insurance because you had been carrying it for him?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. While you were working and taking care of your husband, were you out of debt, or how did you make out?

Mrs. DURHAM. Well, the insurance I carried on him took care of putting him away, part of the doctor bills and medicine, but I am still in debt for part of it.

Senator TUNNELL. Did not you say you had burial insurance?

Mrs. DURHAM. Yes, sir, just $100.

Senator TUNNELL. Did you have it on your husband?

Mrs. DURHAM. Yes, sir.

Senator TUNNELL. That is 25 cents for every 3 months.

Mrs. DURHAM. Yes, sir.

Senator TUNNELL. You are not out of debt now, then?

Mrs. DURHAM. No, sir, and I don't expect to be at 40 cents an hour.

Miss DICKASON. You said you worked on the night shift. What hours did you work?

Mrs. DURHAM. I worked from 3 to 11.

Miss DICKASON. You worked from 3 to 11 at night?

Mrs. DURHAM. Yes, ma'am.

Miss DICKASON. What time did you get home and get to bed?

Mrs. DURHAM. Well, I lived out in the country, and I got home around 2 o'clock if we had no trouble. I would walk home.

Miss DICKASON. You got home at 2 o'clock in the morning?

Mrs. DURHAM. Yes.

Miss DICKASON. Did you have somebody taking care of the children, or did you take care of them?

Mrs. DURHAM. I was taking care of them and leaving them with my husband's aunt while I worked. I did all my house work, washing and ironing, keeping them in school.

Miss DICKASON. So, you don't send any laundry out?

Mrs. DURHAM. No.

Miss DICKASON. Even though you work a full day in the factory, you do your own washing?

Mrs. DURHAM. That is right.

Miss DICKASON. What kind of stove do you have?

Mrs. DURHAM. It is just a small oil stove, three burners.

Miss DICKASON. That is, a kerosene stove?

Mrs. DURHAM. Yes.

Miss DICKASON. Where do you get the water you use?

Mrs. DURHAM. Outside of the house; out of the hydrant.

Miss DICKASON. To wash your clothes, to scrub the floors, and for the boys taking baths, how do you get hot water?

Mrs. DURHAM. I heat it on the stove and give them a bath in the big, round washtub.

Miss DICKASON. You carry it in from the outside and heat it on the stove?

Mrs. DURHAM. That is right.

Miss DICKASON. Have you had any sickness in your family? Have you had to go to the doctor any during the last year or two?

Mrs. DURHAM. Well, my husband had been sick for over 3 years.

Miss DICKASON. And he went to the doctor?

Mrs. DURHAM. Yes, and I had medicine to take care of, and my children, they got sick and I had to take them to the doctor. I am out quite a bit for doctor bills and medicine.

Miss DICKASON. You said a while ago that the boy that worked and earned $5 a week bought shoes for the other boys. When I used to live down in Oklahoma we all went barefoot. Tell me how it happens that you buy shoes for your boy.

Mrs. DURHAM. Well, I started one of my children barefooted, and he stuck a piece of glass in his foot. I thought it was all out, and then in January the next year the glass worked out the top of his foot. I had to carry him to the doctor and have it pulled out. I figured my doctor bill was costing me more than a pair of shoes to go to school in.

Senator TUNNELL. My father said that to me. He said it didn't pay.

Miss DICKASON. How many times did you take this boy to the doctor when he had this piece of glass in his foot that came out at the top a year later?

Mrs. DURHAM. I just carried him to the doctor one time, and he gave me medicine when it came out.

Miss DICKASON. Then, the boy's foot was sore and you took care of him yourself after that?

Mrs. DURHAM. Yes; that is right.

Miss DICKASON. Did one of your boys carry papers, either one of your little boys, younger boys—carry papers any time before?

Mrs. DURHAM. Yes, ma'am. I had two that were very small, 3 years ago, that started on the paper route, the Tennessean and Banner, they carried them every morning before they went to school and in the afternoon when they came back, one would carry on one side of the street and the other would carry on the other side.

Miss DICKASON. Why did not they keep on carrying the papers, then?

Mrs. DURHAM. Well, they got $4 for the two routes, $4 a week.

Miss DICHASON. That was $2 apiece?

Mrs. DURHAM. $2 apiece a week.

One of them got sick, almost had pneumonia, and I had to put out a big doctor bill, and I said their paper route wasn't paying them enough to keep them in shoes and to pay the doctor bill.

Miss DICKASON. What do you read? Do you get a chance to read anything?

Mrs. DURHAM. I see the Banner, the Tennessean, the Household Times, and a few magazines.

Miss DICKASON. Do you buy those magazines?

Mrs. DURHAM. No; my friends pass them around to me.

Senator TUNNELL. You can read, can't you? You went through the fifth grade?

Mrs. DURHAM. Yes, sir.

Senator TUNNELL. You have probably improved some in reading since.

Mrs. DURHAM. Well, I don't have so very much time, but every time I get a chance I generally pick me up something to look at.

Senator TUNNELL. Is that all?

Miss DICKASON. Just one final question.

Your boy that is 14, is he going to go back to school this fall?

Mrs. DURHAM. I am not able to keep him in school. He has got to stay out and work to help me. He will start back if I get enough to keep him in school. I will be glad for him to start back, but like it is I can't.

Senator TUNNELL. What grade is he in?

Mrs. DURHAM. He is in the sixth. He has been out 2 years.

Miss DICKASON. I think that is all. Do you have anything else you would like to say to the Senators, to the committee?

Mrs. DURHAM. Yes. I kept my smallest child out of school 2 years because the health doctor said he was weak-eyed, and I was unable to buy him glasses, and they didn't let him start to school until he was 7. I started all three at 5, because I was working. The schools weren't crowded and they said they would let him go. My baby went about 3 months and they stopped him on account of being weak-eyed, and they kept him out over 2 years and then he went back.

Senator TUNNELL. Does he have glasses now?

Mrs. DURHAM. No, sir; I haven't been able to get them. Every once in a while he stays out of school on account of his eyes being weak.

Miss DICKASON. Is there anying else you would like to say?

Mrs. DURHAM. I carried him to the doctor and asked him to fix him up. He told me if I had $15 to pay down and $5 a week he would. I, myself, have lost 15 pounds since I was laid off this summer on a phone call. I was laid off because I joined the union to try to get better conditions. I had to borrow money then until finally the company gave me a separation slip so that I could get unemployment compensation.

Miss DICKASON. Will you tell us your age, please?

Mrs. DURHAM. Thirty-one.

Senator TUNNELL. All right, thank you.

Do you have any other witnesses?

Miss DICKASON. Mrs. Dorothy Fizz of Pottstown, Pa.

TESTIMONY OF MRS. DOROTHY FIZZ, AMALGAMATED CLOTHING WORKERS OF AMERICA, POTTSTOWN, PA.

Mrs. FIZZ. My name is Mrs. Dorothy Fizz, Pottstown, Pa.

Senator TUNNELL. What is your work?

Mrs. FIZZ. I work in a shirt factory.

Senator TUNNELL. How long have you worked there?

Mrs. FIZZ. Nine years.

Senator TUNNELL. How much did you start to work at?

Mrs. FIZZ. When I started to work I was making $16 per week.

Senator TUNNELL. What are you making now?

Mrs. FIZZ. Now, I am making $26 a week.

Senator TUNNELL. How may hours do you work?

Mrs. FIZZ. Forty hours a week.

Senator TUNNELL. Then, you are getting 65 cents an hour?

Mrs. FIZZ. I am.

Senator TUNNELL. Do you have a family of your own?

Mrs. FIZZ. Yes; I do. My husband and I have one boy at home and I also have one in the service overseas. My husband has been sick a year in August; he is not able to work.

Senator TUNNELL. He is not able to work?

Mrs. FIZZ. No.

Senator TUNNELL. Do you own your own home?

Mrs. FIZZ. No; we rent it.

Senator TUNNELL. What rent do you pay?

Mrs. FIZZ. $22 a month.

Senator TUNNELL. What was your husband's work?

Mrs. FIZZ. He was a truck driver.

Senator TUNNELL. How long has he been out of work?

Mrs. FIZZ. A year on August 2.

Senator TUNNELL. August 2?

Mrs. FIZZ. Yes; it was 1 year.

Senator TUNNELL. Is your husband likely to recover?

Mrs. FIZZ. Well, he is getting better, but there is no chance for him to be able to go back to work. He still reports to the hospital every Saturday for treatment, and that must be paid or they don't give him the treatments.

Senator TUNNELL. If this bill were passed, it would not help you?

Mrs. FIZZ. No; but I would feel secure that my wage would not be lowered on me, because I can hardly get along. I have no way of knowing how I can get any coal in the winter to heat in my kitchen. I don't heat my bedrooms at any time.

Senator TUNNELL. Do you use your kitchen for a living room?

Mrs. FIZZ. Yes; in the wintertime.

Senator TUNNELL. Your husband stays in your home?

Mrs. FIZZ. Yes. He was in the hospital for 4 months, and I had to cash in on the war bonds I had been able to get before he was taken sick, but I had to cash that in, to pay his hospital bill, and for his medical care.

Senator TUNNELL. Have you any war bonds now?

Mrs. FIZZ. No; I have none whatsoever now, I had to cash them in.

Senator TUNNELL. Have you any other income?

Mrs. FIZZ. No.

Senator TUNNELL. What size home do you have?

Mrs. FIZZ. A 5-room house.

Senator TUNNELL. Furnished?

Mrs. FIZZ. Yes.

Senator TUNNELL. Your own furniture?

Mrs. FIZZ. Yes.

Senator TUNNELL. How many years have you been married?

Mrs. FIZZ. 22 years.

Senator TUNNELL. What was your husband getting before his health failed?

Mrs. FIZZ. He was getting $35 a week.

Senator TUNNELL. Did you work at that time?

Mrs. FIZZ. I wasn't working until I started to work 9 years ago, I had to go to work because we had a lot of bills, grocery bills, doctor bills. I have three children altogether. We had so many expenses and bills that I had to go to work to help pay them off. I now have a doctor bill of $35 standing, and I do not know how I am going to pay it.

Miss DICKASON. You have a son who has returned from overseas, haven't you?

Mrs. FIZZ. Yes; I have a son that was discharged 2 years in August. He has malarial fever, shell shock, and he had his spine injured.

Miss DICKASON. Where was he overseas?

Mrs. FIZZ. He served on Guadalcanal with the marines, and in both the Red Sea and the Coral Sea.

Miss DICKASON. Can he work regularly now?

Mrs. FIZZ. No; he cannot.

Miss DICKASON. Is he married?

Mrs. FIZZ. Yes; he is married and has a small baby.

Miss DICKASON. Do they ever bring the baby over to your house to eat?

Mrs. FIZZ. Yes; because they don't have anything half the time themselves. They live with her mother who is a widow and unable to work, and she has a small child, so they go between the two to get something to eat.

Senator ELLENDER. Does he get any allotment from the Government?

Mrs. FIZZ. He gets $23 a month. You know how far that goes for three people. He works when he can.

Miss DICKASON. You said the reason you were here, since you were making 65 cents an hour, is because you think if this bill were passed your wages would not be reduced, but that you cannot get along on what you are getting now. Is there any reason that makes you think that your wages might go down any lower if the bill were not passed? Do you remember any time when there was any wage reduction in your plant?

Mrs. FIZZ. Yes; we did have a wage reduction.

Miss DICKASON. Do you remember when that was?

Mrs. FIZZ. Yes. Early in 1938 before the minimum wage law.

Miss DICKASON. So that is why you are here, because you remember the wage reduction when there was not a minimum wage law?

Mrs. FIZZ. That is right.

Miss DICKASON. Is there anything else?

Mrs. FIZZ. No; that is all I have.

Senator TUNNELL. All right; thank you.

We will convene again Tuesday morning at 10 o'clock.

(Whereupon, at 12:05 p. m., a recess was taken until 10 a. m., Tuesday, October 2, 1945.)

AMENDMENT OF FAIR LABOR STANDARDS ACT

TUESDAY, OCTOBER 2, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Aiken, Ellender, La Follette, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will be in order.

Mr. Hines, are you now ready to proceed?

Mr. HINES. Yes, sir.

TESTIMONY OF LEWIS G. HINES, LEGISLATIVE REPRESENTATIVE OF THE AMERICAN FEDERATION OF LABOR

Senator TUNNELL. All right, Mr. Hines, you may give your name and position.

Mr. HINES. My name is Lewis G. Hines. I am legislative representative of the American Federation of Labor.

I might say, Mr. Chairman, that I am here representing President Green today due to the fact that he was unable to get here. He appeared before the committee on two previous occasions.

Senator TUNNELL. There was something of a misunderstanding about that and I might state a hearing had been fixed for some people who had been present 2 or 3 days before. I want it understood there was just a misunderstanding.

Mr. HINES. I hope that is the case because while Mr. Green did not mention the fact, some of our people felt he was being slighted and had been set aside by the committee in preference to some other people.

Senator TUNNELL. It was not even known to the committee that he was supposed to testify. I will say that to you Mr. Hines. I received a statement that he was to testify after there was a public announcement that he was to testify. There was no attempt to slight him and we all regret the misunderstanding.

Mr. HINES. I am here today to present the views of the American Federation of Labor. My statement is as follows:

For 65 years the American Federation of Labor has maintained the right of a worker to a fair wage as compensation for work done, in order that he and his family might have decent and healthful standards—the foundation of national welfare.

We have constantly stood for justice and prosperity for workers as an integral element in national prosperity. It has taken a long time

to convince those in authority that national welfare and progress result from integrating efforts to raise standards of living for all groups of citizens. No one group in our economy can enjoy sustained prosperity unless other groups are proportionately prosperous. Integrated prosperity is the key to full employment toward which we hope to move. We must raise standards for the lower-paid workers as well as those who set new goals.

The normal index to wage-earning prosperity is the hourly wage rate. Wage rates should increase with increased productivity and ability of management to pay. Due to wartime policies which the administration adopted to control inflation, hourly wage rates have been frozen during the war. The result was that collective bargaining itself was frozen—the workers' agency for industrial justice. Overtime and other expedients to increase weekly earnings were introduced to compensate for declining purchasing power of dollars. Workers who sharply increased their productivity were denied earned increases in wage rates. The Executive order following the VJ-day permits collective bargaining to overcome as much of this differential as is possible within current prices. We cannot fully regain collective bargaining until we overcome production scarcities.

The United States is sorely in need of a national wage policy in keeping with the economic power which this Nation wields. Whatever policy prevails here will influence wage policies in all other countries. The American Federation of Labor intends to maintain its traditional high-wage policy. We produce goods and services in amounts that permit high wages to be paid and we seek opportunities to increase our contributions to efficient production.

The American Federation of Labor holds that our traditional high-wage policy is the keystone to balance in an economy attempting to maintain maximum production with maximum employment. High wages will make available to the masses of the people higher material standards of living and comfort.

Some workers and some managements in the United States have enjoyed the highest national standards of living in the world. Our next step is to set new minimum standards and thus raise the whole economy to higher levels. A nation that leads the world in research and in technical application of scientific progress should also lead in making the benefits of technical progress available to its citizens for better living.

Our main dependence for making our high-wage policy effective for all workers is collective bargaining. Collective bargaining is accepted public policy. We have given the same status to Federal legislation fixing minimum standards which facilitate collective bargaining. Now that practically all industrial groups realize moral responsibility for providing opportunity for work for all who are willing and seeking jobs, we must realine our policies and procedure to further the objectives of full employment. The first step in that direction is reexamination of basic wage rates and minimum standards.

Why should we ask for a 65 cents minimum wage now? Because it is one of the most fundamental parts of our national effort for full employment based on full production. As Government officials and leaders of private industry have repeatedly pointed out, our national

prosperity in the years ahead can only be based on a high standard of living. Industry cannot find a market for the goods it will produce at full capacity operation unless workers can buy. Wage and salaried workers buy 75 percent of all goods and services sold to consumers of the United States, and our mines and factories, farms, and transport systems, stores and service industries depend more on the buying power of wage earners than on that of any other group.

To raise the lowest paid workers up to create the necessary market for American industry: Workers receiving 65 cents an hour or $26 for a 40-hour week spend all the income they receive for the products of American farms and industries. At this living level workers need their entire income for living expenses. They cannot afford to save any significant part of their income—therefore any increase in their wages is "live money"—money spent at once for food from farms, clothing and house furnishings from stores and factories. At this level practically 100 percent of the wage increase is spent, while at higher income levels a portion is saved and does not go immediately for the purchase of goods and services.

A second important reason why we must set this 65-cent minimum now is that it represents a basic floor for living standards below which we dare not permit our American economy to fall. This 65-cent minimum is necessary today to accomplish the purpose set forth by Congress when the Fair Labor Standards Act was passed in October 1938. At today's prices a man cannot possibly support a typical family of four at even a minimum of subsistence on 65 cents. And when Congress passed the act in 1938 its purpose was to provide the minimum of subsistence so that every American might at least have the bare essentials of food, clothing, and shelter. But a minimum subsistence budget for a family of four requires a wage of 87 cents an hour for a 40-hour week at today's prices, according to the Labor Department's maintenance budget. That is, the 65-cent minimum is 22 cents below even the Labor Department's bare-subsistence budget; it provides only three-quarters of an estimate of minimum living.

What kind of a living then will the 65 cents provide? On such a wage, a worker's family of four can buy only three-fourths of the food necessary for a minimum adequate diet as calculated by the United States Department of Agriculture. This means that the father of the family, a man at active work, can have only a very small serving of meat, fish, or poultry for one meal on 6 of the 7 days in the week. He cannot buy even his full meat ration under present quotas of ration tickets; he has at least one meatless day during the week. The family cannot buy enough green vegetables and citrus fruits to give them the necessary vitamins. They cannot buy enough protective foods to maintain bodily health.

What of the house they may call a home? It may cost them only $20 a month in rent. And a house rented at so low a figure in these days will probably either be in need of repair or will provide only the most crowded quarters.

What of clothes? The father of the family can afford one overcoat in 5 years. His street suit must last 3 years—and he has only one. He can buy only three cotton shirts a year. For his wife, he can afford a heavy coat once in 4 or 5 years. And she must make out on three dresses a year, including house dresses, street dresses, and all clothing

for church or other occasions. With such meager clothing she cannot take her rightful place in the life of her community. The worker's growing boy must make out on one cotton suit per year, and one pair of slacks with two blouses. His wool suit must last 4 years. When this must supply his need for school and for play, for winter and for summer, can it be called a minimum of decency for a growing boy? The above figures are from the United States Department of Labor.

This is all that a wage of 65 cents provides. Is it too much to ask in a country with the greatest productive capacity in the world? And if we fail to provide this 65-cent minimum, wages may be driven down so that hundreds of thousands of families will have much less than this to live on.

American industry is able to produce at least a 65-cent living standard for every American, and a far higher standard for the vast majority of American workers. The thing we want to accomplish with this bill is to see that American workers actually receive the bare minimum.

During the war we have made great progress in raising the minimum wage. Starting with 40 cents, the minimum was lifted to 50 cents through the War Labor Board action, then to 55 cents. Meanwhile industry itself raised its minimums so that today the vast majority of our factory workers are already receiving far more than 65 cents an hour. Labor Department figures for the summer of 1945 show that 80 percent of all factory workers are today getting 65 cents or more per hour. Those who still receive 65 cents or less form a very small percentage indeed in most plants, so that it will not create a great burden for the plants to raise their minimum wage.

Another vital reason why we need this minimum now is to hold the standards we have gained during the war. It has been our national policy, both for war and for reconversion, to prevent wage reductions. Now we find that some chiseling employers are using the reconversion period to attempt to force wages down, whether by actual wage reductions or by reclassifications. To establish this minimum is to stop the chiselers and to lay the foundation for the high wage, high production, and high employment economy which alone can preserve our American way of life in the years ahead.

Why have American industries paid the highest wages in the world for the last century? Why will American industries be able to meet this 65-cent minimum in the months and years ahead? It is because American workers have the highest productivity of any workers in the world. Our productivity per hour of factory work in this country before the war was three times that of Britain and Russia, more than 140 percent above the efficient plants of Hitler's Germany, and four times the productivity of Japanese factory workers. During the war we have immensely increased productivity, and today we exceed other countries by an even higher figure.

Throughout the last half century the amazing increase in American workers' productivity has steadily flooded the market with more and more products and services for consumers at lower and lower prices. And steadily rising wages have created a market to buy those products. Take, for instance, the experience of the industry making electric refrigerators. In 1928 the early refrigerators sold for $400 each. In 1942, just before production was stopped, a better refrigerator sold for $150 or less, and the wages of refrigerator workers advanced steadily in that 14-year period. The price of an auto tire has been cut by 75 percent through increased productiviity, but today's tires give 40 times the service of the tires used a quarter century ago. And hourly wage rates of tiremakers have more than doubled in the last 13 years.

These are only two examples of a process that goes on steadily year by year, throughout American industry. Productivity increases, wages rise, prices fall, and the quality of the product improves. A few figures for industry in general will give you a historical picture of this dynamic force of increasing productivity.

From 1923 to 1940, in American manufacturing industries as a whole production per man-hour rose 83 percent. Wholesale prices of the products produced by the factory workers actually declined by 18 percent, while "real" hourly wages of the workers rose 49 percent. And employers continued to make satisfactory profits.

This is a striking example of increasing wages while prices declined. This rising productivity is the genius of our American competitive system. But the system cannot function and will not function unless wages rise enough to create a market for the ever-increasing stream of consumer goods produced. The depression of the 1930's showed only too well what happens when workers' buying power fails to keep pace with their power to produce.

We look forward to immense increases in productivity in the years just ahead. Experts estimate that in the next 3 years production per man-hour will increase 30 percent in American factories. Replacement of worn-out machinery, installation of new techniques and new machines developed during the war, will enable the average factory worker to produce nearly one-third more than he does today—and this amazing gain will take place in the short period of 3 years.

With such advances in prospect, a minimum so low as 65 cents an hour will soon be out of date. There is no question that manufacturers who have the ability typical of our American industrialists can pay this wage.

If we permit workers to receive minimum wages of less than 65 cents an hour, who will buy the products which are going to pour from our factories as production and productivity increase? How will workers be able to buy enough radios, furniture, refrigerators, and other household equipment, automobiles, and other products to keep the wheels of industry in motion?

We must plan now for our postwar market. Fixing a floor of 65 cents under wages will set the stage for maintenance and improvement of wages so that workers' buying power will rise to create a demand for industry's goods. To increase wages now throughout industry, up to industry's ability to pay, is a first requirement in our efforts for full production and full employment. Labor Department figures show that at today's wage levels workers' buying power will fall short by some 9 billion of the amount necessary to sustain full employment.

If we fail to fill this gap, if we do not make up this shortage, then we risk a business depression as soon as workers' savings and employers' reserves are exhausted. Workers must have decent wages or they cannot afford to spend their savings or to become adequate buyers of industry's products in the future.

An important added protection to workers is contained in section 12 of S. 1349 pertaining to child labor. The American Federation of Labor has consistently been opposed to the exploitation of children.

The Supreme Court decision in regard to the Western Union case distinguished between commerce and the production of goods for commerce. After that decision there was a considerable increase in the employment of children by that company. We urge that children be given this additional protection against exploitation by coverage of industries engaged in commerce as well as those producing goods for commerce.

We recommend the following changes in S. 1349:

1. Eliminate all provisions in the proposed bill designed to establish by a wage order of the Government specific rates of pay for is to eliminate substandard labor conditions. Its wage provisions are designed to establish a minimum wage standard. It was the job classifications above the minimum.

The basis of the Fair Labor Standards Act, in intent and in law, express purpose of Congress in enacting the Fair Labor Standards Act of 1938 to establish a floor under wages. It is the proper prerogative of the Federal Government to make certain that the channels and instrumentalities of interstate commerce are closed to unfair competition, unfair because the competitive advantage is the advantage of the substandard wage. Congress said, in effect, that those who compete with goods made at substandard pay, engage in "an unfair and unconscionable method of competition in commerce," that they gain and profit by trading in the undermined health and stunted lives of workers whose pay is driven below the level necessary to maintain decent and healthful living. To safeguard "the maintenance of minimum standards of living necessary for health, efficiency, and general well-being of workers" is and should continue to be the controlling purpose of the minimum wage regulation.

Detailed Government regulation of wages above the minimum is foreign to that purpose. It constitutes an invasion by the Government of the domain of free and voluntary collective bargaining between labor and management. It injects the Government into the areas of detailed determination of wage standards above and beyond the minimum.

Minimum wage regulation is essential to prevent the development of a downward spiral of wages under pressure of unfair wage competition. Enforcement of such a minimum wage is vital not only to the maintenance of the standard of living, but also the protection of the entire economy of the Nation against the ravages of unchecked deflation of all wages, with the drain upon the buying power of the mass of the wage earners. Detailed regulation of wages above the minimum is not a part of the protective exercise of the Federal powers to safeguard the standards of minimum welfare of the workers and the integrity of the whole economy against unfair competition.

We ask that all provisions relating to the establishment of wage differentials above the minmum be stricken from the bill as indicated specifically in appendix A.

At the same time, it is important to stress that the increase in the minimum rates of pay, either directly by statute or by wage order, is bound to create a downward pressure upon wages above the minimum. Experience of minimum wage regulation in the past has demonstrated the tendency of the minimum becoming the maximum. A safeguard against the reduction of wages and the reduction in the

relative standard between the minimum wages and the wages above the minimum is imperative to prevent a dislocation in the entire wage structure. We therefore recommend that the following safeguard be embodied in the bill to make certain that the relative standard between the minimum wage and the wages above the minimum be fully enforced in the administration of the law:

> No employer shall reduce the relative standard of compensation between the minimum wage and any wage or salary rate above the minimum because of the application of any minimum wage requirement of this act.

2. Minimum wage differentials for products or other subdivisions within an industry should be eliminated.

The entire administrative experience of the Wage and Hour Division to date has demonstrated that the provision of section 8 (c), requiring industry committees to set up subdivisions within one industry in order to establish different minimum wages for each subdivision of the same industry, is without warrant and should be eliminated.

This provision has served as a basis for setting up minimum wage differentials for different products in the same industry. When the initial industry committees were convened, they spent much time in determining minimum rates for one product of the industry differing by as little as 1 cent or even a half a cent from the rate set for another product in the same industry. When industry committees for these same industries were later reconvened, such classifications establishing wage differentials for different products were gradually eliminated. In one industry after another the wage classifications were eventually consolidated. A universally minimum rate of 40 cents was finally reached by all industry committees.

Past experience has proved the procedure of setting up industry classifications or subdivisions to be without any positive justification and administratively wasteful. It also has shown that many industry classifications brought about minimum wage differentials wholly artificial in character, provided solely because of the requirement of the act and for no substantive reason. We, therefore, recommend that section 8 (c) be amended to eliminate all reference to subdivisions and classifications for the purpose of minimum wage determination within one industry.

3. The basis on which minimum wages are determined by industry committees and the Administrator should be clarified.

Section 8 (c) of the act now contains an indirect requirement that living costs, production costs, and wages established for similar work by collective labor agreements, as well as other factors, be taken into account in the minimum wage determination. We ask that this requirement be made clear and direct.

It is important to spell clearly in the statute the affirmative duty of the industry committees to rely on these basic factors in the minimum wage determination: (1) the cost of living; (2) competitive conditions as affected by production and transportation costs; (3) the wages established for work of like or comparable character by collective labor agreements negotiated between the employers and the employees by representatives of their own choosing; and (4) the wages paid in work of like or comparable character by employers who voluntarily maintain minimum wage standards in the industry. All safeguards now contained in the act to make certain that no minimum wage rate is fixed

solely on a regional basis and that no wage differentials are permitted on the basis of age or sex must be retained in the statute.

4. Exemption of learners, apprentices, and messengers from the minimum wage should be eliminated.

Section 14 of the act requires exemption from the minimum rate of learners, apprentices, and messengers, as well as handicapped workers, under a system of special exemption certificates. We ask that the exemption of learners, apprentices, and messengers from the benefits of the minimum rate be eliminated as inconsistent with the basic purpose of the minimum wage policy of the act.

The minimum wage prescribed by the act must mean what it says: It should be an absolute minimum permitted in employment covered by the act. By definition, this minimum applies to the wages paid to the unskilled workers. Workers who have acquired skill and experience in performing work more exacting than unskilled labor are entitled to pay higher than the minimum.

This means that hiring rate or entrance rate should not begin at a standard lower than the minimum standard if the express purpose of the act is to be carried out. Learners engaged in productive work are entitled to compensation not lower than the minimum rate. In the case of apprentices, while it is an established practice to fix compensation during the period of apprenticeship at a rate lower than the skill classification to which a worker is being apprenticed, such compensation is related directly to the standard of pay established for that particular skill and not the minimum pay in the plant or establishment. The apprentice, as well as any other employee, must maintain his livelihood during the period of apprenticeship, and is entitled to compensation at a rate determined by collective bargaining and not lower than the established minimum. This minimum standard of compensation must be made equally applicable to learners, apprentices, and messengers as well as to all other unskilled workers.

Now, Mr. Chairman, we have certain suggestions here contained in the appendix referred to before, and these are amendments proposed by the American Federation of Labor to Senate bill 1349 to amend the Fair Labor Standards Act of 1938.

Senator La Follette. Mr. Chairman, may I say for the record that I have been very distressed during the meetings of this subcommittee because another subcommittee of the Education and Labor Committee has been meeting at the same time. I am very much interested in this legislation, and I hopeful we are going to conclude our work on this very important bill within a day or two.

Senator Ellender. I am also on that committe, and I agree with you, Senator.

Senator Tunnell. You may proceed, Mr. Hines

Mr. Hines. The American Federation of Labor recommends that S. 1349 be amended in the following respects:

I. New amendments: 1. Amend section 14 of the act as follows:

(1) The employment of learners, of apprentices, and of messengers employed exclusively in delivering letters and messages, under special certificates issued pursuant to regulations of the Administrator, at such wages lower than the minimum wage applicable under section 6 and subject to such limitations as to time, number, proportion, and length of service as the Administrator shall prescribe, and——

Senator Ellender. Would you mind telling us what the effect of that statement would be?

Mr. Hines. To do just what I suggested in my statement, which would take them out of the category of exempt groups and place them under minimum wage.

Senator Aiken. That means you would have a minimum wage based upon ability of the poorest worker to work?

Mr. Hines. The minimum wage prescribed by law.

Senator Ellender. But you could not base it, as Senator Aiken suggested, on the capacity of the poorest worker to produce.

As I understand, the act does not make any distinction between an efficient or an inefficient worker. They are all treated alike as far as the minimum wage is concerned.

Mr. Hines. The act merely establishes minimum rates just the same as a union contract establishes minimum rates in that contract, and the employer is privileged to pay anything he wants above the minimum rate to reward efficiency of the worker.

Senator Ellender. No matter how inefficient a man is, or if he is a cripple and cannot do a full day's work, he must receive the minimum wage fixed under this bill or else be unemployed?

Mr. Hines. That is the purpose.

Senator Ellender. What effect will that have on unemployment, in your opinion?

Mr. Hines. I don't know just what you mean by that, Senator.

Senator Ellender. Don't you know that the manufacturer will seek the employees who can give him the highest rate of production in a day's work; that is, the production of each employee will have to equal a certain minimum amount, or else he will not be employed?

Mr. Hines. That always has been, and I presume that always will be, and under the present minimum wage rates established we don't find it has increased unemployment to any measurable degree. What it will do is to set a floor below which the employer can't go.

Senator Aiken. Then in supporting this bill you maintain that the poorest worker should receive 75 cents an hour?

Mr. Hines. I don't like to use the term "poorest worker."

Senator Aiken. I don't, either, and I have been trying to think of another word. He may be a good worker but physically unable to do the work.

Mr. Hines. You will find among any group of workers some that are more inefficient than others.

Senator Aiken. I will say "least proficient."

Mr. Hines. That may be a proper term. But you will find that if a worker falls below a certain standard that the employer has set himself, that worker is eliminated from the picture. He is not employed.

Senator Aiken. If the apprentice should be eliminated from the picture, wouldn't it result in his having to pay for his education rather than being paid while learning?

Mr. Hines. We propose that the apprentice be protected by the minimum wage, but we also propose that the apprentice does not necessarily have to be paid the minimum wage; that he should be paid higher, perhaps, in proportion to what the journeyman receives in that industry.

Senator Aiken. I can see the basis for your argument.

Mr. Hines. The wage rate of an apprentice is more or less determined in accordance with what the mechanic receives, and in many

cases it would be higher than the minimum wage rates prescribed by law.

Senator AIKEN. I can see the advantage of your argument. Some employers would take advantage of the opportunity to pay apprentices less than the minimum wage——

Mr. HINES. May I digress a moment?

It has been my experience where collective bargaining did not prevail, and before we had this protective legislation, that in some big industrial plants in this country the personnel man or employment manager would go out on the street during the depression days and ask, "How many people here are willing to go to work for 15 cents an hour," and after he got his quota of 15-cent workers he would raise it to 18 cents, and then to 20 cents.

They were not concerned about the efficiency of the work, but it was the wage rate for unskilled work.

I am personally aware of many instances of that sort and we don't want to go back to it again and will not go back to it after we have set the basic minimum wage.

That plant owner who resorted to those tactics in those days today must pay a minimum wage so he does not go out and try to bargain with the starving worker on the sidewalk to come in at starvation wages.

If the cost of living has increased—and we know it has since 55 cents was established—the minimum wage ought to go to 65 cents.

Senator AIKEN. The establishment of a minimum wage did lessen that practice of securing labor for 15 cents an hour?

Mr. HINES. Definitely.

Senator AIKEN. And you claim if the amount was raised it would lessen it still more?

Mr. HINES. I think so. I think it would lessen the tendency to try to beat down wages.

Senator, you and I have something to be concerned about more important than what the worker gets. That is, whether or not our national economy is going into a tailspin. If the increased purchasing power does not help keep our economy stable, God help all of us.

Senator AIKEN. We are concerned with that, and we are also concerned with the ability of the beginner to learn a trade. That is one reason I am one of the sponsors of the vocational training bill—I thing it is No. 619.

But I don't want to get in a position where young men and women are deprived of a chance to learn.

Mr. HINES. I don't think there is any chance of that. From 1939 to 1942 I was secretary of labor and industry in Pennsylvania. We established an apprenticeship council set up in connection with the Federal Government. That is not vocational training. That is the real substantial apprenticeship training system.

We started with one employee and I think today they have perhaps 30 or 35 employees in the State of Pennsylvania. The State and Federal Government work together in perfect harmony, I might say, which is unlike many other instances.

They interested the employer in the problem of apprentices with the result that we have set up apprenticeship training systems in practically all of the basic trades, building trades, metal trades, and today we are solving that problem and today that is one of the greatest

assets we have in developing new mechanics, the cooperation between the unions, employers, and State and Federal Governments through the apprenticeship training council.

It would be well worth your while to look at that set-up.

Senator AIKEN. I won't have to look at it because we set them up in Vermont when I was Governor.

Mr. HINES. I don't think this has any bearing upon the apprenticeship system at all, none whatsoever.

Senator AIKEN. I want to get your ideas and I want to make sure when this bill is reported out that it does not permit injustices or deprive anybody of a chance to earn a living if it is possible for him to do it.

Mr. HINES. You are always going to find an employer who will tell you, "I can take a less efficient worker and use him if you will permit me to pay him lesser wages."

That is one of the things we are going to be confronted with with the handicapped veteran. Already employers have agreed to put these disabled veterans to work, but at a lower wage than customarily paid workers in that particular group, regardless of how much he produces or anything else.

For many years the employers exploited women until we forced the employer, in many instances, to give equal pay for equal work, and then that practice stopped.

Senator ELLENDER. Mr. Hines, your proposed amendment does not fix a minimum wage, as I understand it. You are simply providing that an apprentice shall receive the minimum wage fixed in the bill before us?

Mr. HINES. That is right.

Senator ELLENDER. Why is the amendment necessary since all employees must receive 65 cents on up to 75 cents after the second year?

Mr. HINES. Because the original act, as I understand it, eliminates apprentices from the application of the act, and we don't want apprentices eliminated.

It is my understanding that the original act provides this does not apply to apprentices. We want to lift them out of that category and not exempt them from the provisions of the act.

Senator ELLENDER. There is a differential made under the existing law between apprentices and workers——

Mr. HINES. Between apprentices, messenger boys, and other types of workers as I referred to in the last paragraph of my statement here.

Senator AIKEN. All through your testimony, Mr. Hines, you refer to a 65-cent minimum. Am I right in assuming that you think that should be raised during the next 2 years until it reaches 75 cents?

Mr. HINES. That is right. Now, if I may be permitted I would like to suggest further: Amend section 6 (a) of the act, page 3, lines 11 through 24 of the bill, as follows:

In line 24 change the period at the end of the section to a colon, and insert the following new language on the next line:

Provided, That no employer, with respect to any of his employees, shall reduce the relative standard of compensation between the minimum wage and any wage or salary rate above the minimum because of the application of any minimum wage requirement of this act.

Changes in amendments proposed by S. 1349: 1. Proposed new section 2 (b) of the act, page 2, lines 11–19 of the bill:

In line 13 delete "(1)." In lines 16–19, following the words "earning power", change semicolon to a period and delete:

and (2) to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industries.

In other words, get away from the idea of setting a basic rate for the industry and then have subdivisions within the industry.

Senator ELLENDER. Aren't you trampling over the rights of the unions there? What about collective bargaining?

Mr. HINES. Not in the least. The unions all have the right to negotiate.

Senator ELLENDER. As I understand, the purpose of the bill is principally to take care of unskilled labor, the product of the sweatshop, and the man who because of his employment, cannot join a union and he is not in a position to bargain collectively.

Mr. HINES. As I understand you have had witnesses before this committee here who were not unskilled and who were receiving the minimum wage now prescribed by law.

One of the Senators referred to the fact that in New Orleans there were clothing factories paying the absolutely minimum wage. Clothing workers and workers in textiles are certainly not unskilled.

I don't know what you are going to term unskilled. Even in our least skilled categories in the American Federation of Labor, we do find some skill.

Senator ELLENDER. What effect will fixing a minimum on certain skills have on your ability to bargain for union wages in the future? Will you use the minimum as a basis or what will happen?

Mr. HINES. I think it has been proven during the past several years that the law has been in effect, that it in no way interfered with or affected our ability to establish rates for workers coming under union contracts.

Senator ELLENDER. That may have been true at the time the act was passed in 1938. Many in Congress thought the 40-cent maximum was pretty low, but now some are making it so that in the third year the minimum hourly wage will be 75 cents, which is pretty close to what employers are now paying to union labor in a vast number of industries.

Mr. HINES. It depends upon what kind of union labor you are referring to.

We have rates that are considerably higher than 75 cents, and when we have a higher basic rate prescribed by law I think it will have a tendency to enable us to raise our more skilled workers to a higher level.

Senator ELLENDER. That is what I am coming to. So that by the establishment of a 75-cent hourly minimum in the third year, that will have a tendency to take all labor from the 75-cent point level and raise it in the same proportion that you are now seeking to up the wage earner now receiving minimums far below that fixed in the bill.

Mr. HINES. There won't be anything wrong with that, Senator.

Senator ELLENDER. That is what is going to happen. In addition, the bill goes a step farther and permits the classification of jobs and the adjustment of hourly rates upward from that fixed in the bill.

Mr. HINES. You know what is happening today throughout the country. Our wages have been frozen, our standards of living encroached upon by taxes and our inability to increase our wages, while the cost of living has skyrocketed.

Senator ELLENDER. The cost of living has been maintained fairly steady by OPA; hasn't it?

Mr. HINES. It has been maintained to some extent but it has gone up out of all proportion to what the worker has been able to get in the way of increases, and today you have dissatisfaction and people asking for a 30-percent increase to bring them somewhere close to the increase in the cost of living.

I again refer back to the statement I made that if the 65-, 70-, and 75-cent rate will have a tendency to raise the wages of all workers, it will increase purchasing power and increase employment.

Senator ELLENDER. And with that it is bound to increase the cost of living.

Mr. HINES. I presume the cost of living will rise slightly in some instances, but not necessarily in proportion to the wage increases.

Senator ELLENDER. Don't you know that wage increases and high costs are relative? In other words, as wages rise, so do prices of commodities in almost the same proportion?

Mr. HINES. Not necessarily. It is not relative if a worker works in an industry where huge profits are made by the owners of the industry and the owners of industry can increase their salaries by 100 percent and still pay for the difference. Don't you think that has been the case in the past in many instances?

Senator ELLENDER. I wish to admit this: The trouble has not been altogether with labor asking for higher wages. I do believe that industry has in many instances made unconscionable profits and unless industry is willing to take cuts now and make it so that we can produce goods at a cheaper figure——

Mr. HINES. And turn some of the profits into higher wages in order that the workers can purchase the things that industry produces; yes.

Senator ELLENDER. No; I would prefer to see labor retain the gains it has made during the war on its basic hourly wages, and have industry to cut its profits so as to offset the overtime pay received by labor.

Awhile ago you said, if I recall—and if I am misquoting you I want you to say so—that very few employees would be affected by this 65-cent minimum rate.

As I understood your testimony, you said that practically all employees have already reached the 65-cent minimum. Is that right?

Mr. HINES. I didn't say that.

Senator ELLENDER. What did you say?

Mr. HINES. I am trying to point out that the establishment of a 65-cent minimum would not necessarily mean that everybody gets a raise.

Senator ELLENDER. That would indicate that most of them are already receiving the 65 cents.

Mr. HINES. I wouldn't say most of them.

Senator ELLENDER. Do you know how many of them are not receiving the 65 cents minimum?

Mr. HINES. I don't have the figures and I would not want to guess at it, but I think I am safe in saying that all workers would not benefit by this directly, but they probably would indirectly.

If I am receiving 65 cents an hour, which is 10 cents above the minimum wage established by the Government for that particular industry, and the industry is raised by 10 cents, I am going to call the committee together and ask for another dime an hour and I think I will probably get it.

Senator ELLENDER. Of course, that is what is going to happen on up the line. I predict that all classifications will seek for an increase equal to that provided in the pending bill.

At this point in the record I would like to insert a short table taken from the Bureau of Labor Statistics showing the percent of employees earning less than 65 cents.

These are figures taken from the Bureau of Labor Statistics, as I have just indicated, and they indicate the percent of employees in various industries earning less than 65 cents.

(The table is as follows:)

Percent earning less than 65 cents

All manufacturing	20	Stone, clay, and glass	27
		Electrical equipment	22
Tobacco	58	Printing and publishing	21
Lumber and timber	54	Chemicals, petroleum, and coal products	16
Textiles	47		
Apparel	38	Rubber	13
Furniture	37	Nonferrous metals	8
Leather	30	Iron and steel	7
Paper	30	Machinery	4
Food	28	Transportation equipment	(1)

[1] Less than half of 1 percent.

Mr. HINES. These percentages refer to those who are receiving minimum wages now?

Senator ELLENDER. Percent of employees of certain industries now receiving less than 65 cents per hour.

Mr. HINES. I was very much interested in your reference to tobacco workers.

Won't you agree with me that if the tobacco industry diverted some of the money used for advertising purposes to the wages of the workers the economy of the country would be much better off?

Senator ELLENDER. They might not sell as much tobacco if they did that. Aside from that the newspaper publishers and radio operators must live so as to give employment. Don't you believe in advertising?

Mr. HINES. Where you have four or five big brands and spread your advertising between them trying to convince the consumer to buy one brand instead of the other, I think some of the money should be diverted to the workers.

Senator ELLENDER. Don't you believe in competition?

Mr. HINES. I believe in competition but I believe they are overdoing it when 58 percent of the workers in the tobacco industry are receiving less than 65 cents an hour.

Yet there are millions of dollars poured forth between the several large manufacturers to try to induce people to smoke this or that brand, and not one single less pack of cigarettes would be smoked if that was cut down—perhaps the workers could smoke a little more if they had better wages.

Senator ELLENDER. Suppose they made only one brand. Is that what you want? Do you think we would get as much employment as we are now having in the tobacco industry if we should not have this competition you seem to be against?

Mr. HINES. Please don't put me on the record as against competition. What I said before, Senator, you and I should be concerned about more money going into the pay envelopes of the workers to increase the purchasing power in order to buy the things we want to produce.

We have increased our productivity during the war. For instance, in the airplane industry we increased our productivity over a period of 3 or 4 years by about 300 percent due to improved techniques, new machinery and increased efficiency on the part of the workers, and in another industry when we were urged to produce in order to help with the war, we did that and invented new ways of getting things out quickly.

We are going to be confronted with technological improvements during the years to come. If we don't have money to buy those things the worker will be laid off and those things will lay in the warehouse and we will go into an era of unemployment, which, God forbid.

Senator ELLENDER. We must maintain reasonably high profits in order to service our national debt. I concede that unless we maintain an economy that will produce us a lot of income taxes, we may not be able to pay off our big war debt.

But the fact I am trying to drive home to you, and what I maintained last week, is that continually raising wages, as you propose here, is bound to increase the cost of living in virtually the same proportion as the wages will rise and labor will not better its condition.

Mr. HINES. I disagree with that, Senator. I say that the profits are such that we can encroach upon the profits and we can raise wages.

Senator ELLENDER. Your position is that we can raise the wages as this bill now provides and still we are going to maintain the cost of living at the present level?

Mr. HINES. As far as possible.

Senator ELLENDER. I cannot agree with you. Cost of production is bound to rise and our present price structure will be shattered and we are bound to be thrown into a spiral of inflation that will destroy our economy. Do you think that a rise in costs is fair to the farmer?

Mr. HINES. The farmer will benefit in the same proportion that the worker benefits because the worker will have increased money to buy the farmer's products.

Senator ELLENDER. The only way by which the farmer can benefit is if he obtains a rise in the cost of the things he sells, so as to offset the additional cost for the things he has to buy. And also if he is compensated by higher prices because of the higher wages he will be compelled to pay on the farm.

Mr. HINES. I think Senator Aiken will be familiar with this situation. I have seen the apples on the trees rot; I have seen the potatoes in the fields rot because there was no market for those products because the worker did not have the money to buy them.

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The retail men could not buy them because——

Senator ELLENDER. This happened 3 or 4 months ago. Many growers had a lot of apples and could not sell them notwithstanding all the money now in circulation.

Today you have 42,000,000 bushels of Irish potatoes in excess of our requirements——

Mr. HINES. We never have an overproduction of anything. We have an underconsumption. Speaking of apples, what do you think of a situation of this kind, wherein the speculator buys apple orchard after apple orchard and if he needs them has them picked, and puts them in a storehouse and sells them in New York City for 5 or 10 cents apiece? And in order to keep the price up he will let them rot on the trees before he will glut the market.

People don't have the money to pay for them.

Senator ELLENDER. That is certainly not the case today in regard to potatoes. The Government is being asked to spend $60,000,000 just to protect the farmers who have an excess potato production. In other words, unless the Government steps in, potatoes will sell for less than the cost to produce them, and many farmers would lose heavily.

Mr. HINES. I think the important thing before you and me is that our people be clothed and fed and sheltered properly.

Senator ELLENDER. I agree with that 100 percent, but that cannot be accomplished by protecting one group to the detriment of other groups.

Mr. HINES. And perhaps more important is the necessity of keeping up the purchasing power in this country in order that we can buy back the things we produce.

If we don't, we are going into an economic tailspin, and God knows how we will get out of it. Maybe you fellows will have the answer to it this time. You didn't have it before.

Senator ELLENDER. God knows we didn't have it before and we will not have it in the future by the passage of such legislation as you are now proposing.

Such a bill as we are now considering will complicate matters to such a degree that I will not venture what the future holds. In attempting to protect a certain group of working people you will dislocate thousands of others.

Mr. HINES. I don't know how you arrive at that.

Senator ELLENDER. Well, I have a little farm down south and I sold a lot of potatoes at 71 cents a hundred not so long ago. All of my costs rose and the price was down. Do you think I could maintain myself as a farmer selling potatoes at that price?

Mr. HINES. The wife of the worker who is going to receive the minimum of 65 cents with the family consisting of the man, wife, and two children with an income of $26 a week, is going to market with her basket. She won't be able to buy everything she would like to buy that the farmer produces, because she does not have the money.

Increase her income 10 or 20 percent and she will buy that much more of what the farmer and other people produce.

Senator TUNNELL. Did I understand you to say we don't have overproduction?

Mr. HINES. We don't have overproduction; we have underconsumption.

The people in this country could consume anything if they had the money for it. We do have seasonal overproduction.

Senator TUNNELL. Mr. Hines——

Mr. HINES. Pardon me. You have overproduction of peaches, but give the worker the money to buy those peaches and the sugar and the canning equipment——

Senator TUNNELL. Mr. Hines, suppose all the land in the United States that can be put in peaches profitably now should be put in peaches, do you still maintain there would not be overproduction?

Mr. HINES. I think you can create an artificial overproduction.

Senator TUNNELL. I think that is real, not artificial.

Mr. HINES. Isn't it true that our production is based upon consumption? People don't produce things unless they hope to have them consumed.

Senator TUNNELL. As Senator Ellender says, there are times when there is simply an overproduction of potatoes, more than people can use.

Mr. HINES. That is seasonal overproduction.

Senator ELLENDER. Not so, sir. We consume 675,000,000 bushels of wheat a year. If we produce 1,000,000,000 bushels, what are we going to do with it? Generally speaking, we have produced much more than we consume each year and that is what has caused the price of wheat to remain low in prewar years.

The same situation has existed with cotton. We have in the cotton warehouses of our country today enough cotton to meet the demands of the people of the United States for a full year without producing a bale this year. Our farmers produced such an enormous crop in 1937, 19,000,000 bales as I recall, and it is still a drag on the market.

Mr. HINES. You will have European markets for wheat.

Cotton has always been a problem because there has always been an overabundance of cotton. The country where cotton is raised lends itself to that type of agriculture. I don't have the answer for that. I am not a farmer myself.

Senator ELLENDER. You realize it is the staple crop of the South?

Mr. HINES. Yes.

Senator ELLENDER. Thousands of farm families depend on it for a living and that is the way by which they have made a living in the past.

Instead of growing cotton they could venture in the dairy business or some other form of agriculture, but Minnesota and Wisconsin farmers might suffer.

Mr. HINES. If you have a surplus of cotton in the South it is not because of overproduction. It is because of underconsumption.

Ask any woman you meet if she can buy proper undergarments for her children and she will tell you she can't get them.

Senator ELLENDER. That may be true now, but that is because of the war. Most of the cotton textiles were producing for the Army and the Navy.

Mr. HINES. We have plenty of consumers for cotton at the moment and I say a surplus of cotton is due to lack of consumption.

Senator ELLENDER. I repeat, that is because of the war. But remember we are on our way to normalcy now.

As Mr. Davis pointed out last week while testifying, that the rise in the minimum wage from the legal limit of 40 cents over a period of 3 or 4 years during the war while we had full employment, was only 55 cents. Today what you are asking for in this bill is to raise

the legal minimum of 40 cents to 65 cents for the first year, 70 cents the second year and 75 cents the third year.

In justice to Mr. Davis, as well as to Secretary Schwellenbach, both pointed out that you are not raising the minimum from the legal level but from the 55-cent fixed level fixed in February of 1945, as I recall.

In any event, what puzzles me is how in the name of common sense can we raise the minimum wage from the fixed minimum of 55 cents, to 75 cents over a period of 3 years if, during 3 or 4 years of war with full employment, we were able to raise it only from 40 cents to 55 cents.

Mr. HINES. Only because you would not raise it. It has been raised by collective bargaining, particularly in certain sections of the country.

Senator ELLENDER. That is true provided it did not violate the Little Steel Formula.

Mr. HINES. May I ask you a question, Senator?

Senator ELLENDER. Well, I am not testifying, but I will be glad to answer the question if the chairman will permit me.

Mr. HINES. This is just in order to develop the question.

Senator ELLENDER. I want to say to you that I am trying in every way I know how, Mr. Hines, to elicit the facts and I don't want the questions I am asking to be taken as indicating what position I am taking on the bill.

Mr. HINES. That is right. We are proposing here that there be no regional differentials permitted under the law. Do you agree with the American Federation of Labor's policy in that regard?

Senator ELLENDER. Yes, but the American Federation of Labor didn't practice that in the past and it does not practice it now. It has never practiced it at any time.

Mr. HINES. We have.

Senator ELLENDER. You talk about it now, but you have never done it. A carpenter in my section gets about 90 cents an hour and in New York he gets a dollar and a half to one dollar and seventy-five cents. Here in Washington a bricklayer gets about $2 per hour and in the South about $1.25.

Mr. HINES. That may hold true in certain sections——

Senator ELLENDER. You are now preaching for something that you don't practice.

Mr. HINES. That does not only hold true between your town and New York, but that will hold true between a town in Senator Aiken's State and New York City, too.

Senator ELLENDER. What you are proposing right now is in effect saying to us, "We want the legal minimum fixed at 65 cents to 75 cents over a period of 3 years all over the country," but when we are bargaining it is on a different principle. Historically you make differences in New York and in Chicago and in Montana and in Memphis and in Atlanta, when bargaining collectively, but you desire to put all in a strait-jacket by law.

Mr. HINES. Do you know why we do that?

Senator ELLENDER. I don't know why you do it, but that has been your practice.

Mr. HINES. You would like to know, wouldn't you?

Senator ELLENDER. Yes; surely I would like to know.

Mr. HINES. It has been a fixed policy of the federation to follow such procedure. We raise wages in proportion to our ability to get the workers to join the union and when we can't get them to join the union in any particular section, the answer will be bad working conditions.

Senator ELLENDER. But when you do that, you don't do what you are now advocating in this bill. You don't provide for the same wage for a mechanic in New Orleans as you do in New York. You don't provide the same national wage for bricklayers, either, but here you want to slap it on by law, making the same wage apply all over the country.

Senator TUNNELL. I would like to say one thing in corroboration of what Mr. Hines is saying. I take it you don't push the wages up in all sections——

Mr. HINES. That is right.

Senator TUNNELL. But you are the ones who furnish labor and not wages, so you cannot be blamed if they won't go as high as you want.

Mr. HINES. Our ability to secure wages is contingent upon our ability to organize and use our organized strength.

Senator AIKEN. Do I understand Senator Ellender's contention is that for the same class of work wages should be the same in New Orleans as in New York?

Senator ELLENDER. I don't see why they should be any different. The A. F. of L. advocating it, don't do it themselves.

Senator AIKEN. Isn't it the purpose of the minimum wage-and-hour law to equalize wages all over the country, and isn't it one of the purposes of the law to protect the 52½ percent of eligible workers who don't belong to any labor union?

Mr. HINES. I will say New Orleans is a pretty nice place to live, and I think a worker has as much opportunity to spend his money there as in New York City, but if I asked for the New York scale in negotiating, I am afraid the first thing that would be fired at me is, "We don't need that here because of differences in working conditions."

There is a mistaken idea that a worker should live for less in one place than in another. But that isn't true, notwithstanding the fact that he won't need as heavy an overcoat in New Orleans as he will in Vermont.

And he won't need as much coal.

Senator SMITH. I want to ask Mr. Hines if this isn't true. I agree with your point. You raise the wages of workers and raise their standard of living by that process and increase their consumer power. I agree with you on that. As long as you keep prices stable the workers gain by it.

But isn't it true that that forces prices up?

I am a great believer that we must keep prices down in this country if we are going to spread the benefits of production to everybody.

I am interested in considering to what point we can raise wages without raising prices and then we will have to consider the extent to which that may close up certain industries because they can't meet the two squeezes on both sides and then, of course, you get unemployment.

Mr. HINES. Senator, I wish we had some very definite way that we could determine to what extent wages can be increased without increasing prices.

I think the fact that it can be done is proven by the action taken by the Federal Government when they permitted relaxation of the War Labor Board's rulings to permit wage increases as long as they did not increase prices.

Senator SMITH. Undoubtedly in some areas that is true, but if we take industry as a whole, wouldn't we find a tendency to raise prices unless we keep up controls? And I think controls are going to be difficult to maintain.

Mr. HINES. I don't think that is the case. And I don't think there is any point in my sitting here and pointing out the profits made by large corporations and having some large corporation representatives come back with an answer just to the contrary. But I think we can safely raise wages in this country without increasing prices to any great extent.

There may be some instances where that can't be done. There may be some instances where the margin of profit is very small. The clothing factories in New Orleans, referred to earlier in the hearing, compete with some of the industries in New York City. How they meet that competition, I don't know. They are perhaps able to stand that, but if that was carried to its logical conclusion we are going to find the wages tumbling all the way down the line and then those wages will be permitted to go lower and the other fellow will go lower and then what becomes of our national economy?

Senator SMITH. What becomes of the national economy if the prices go up so that people can't enjoy the benefit of low prices Nation-wide? I think what we should think about is what our people can get for an hour's work, not in terms of dollars but in terms of food, clothing, and shelter.

Senator TUNNELL. I would like to ask Mr. Hines if he agrees with Senator Smith's theory that prices should be kept down?

Mr. HINES. Yes; I do.

Senator SMITH. I don't want the record to show that it should be done by Government edict.

Mr. HINES. I think despite all the criticism the Office of Price Administration has done a mighty fine job.

Senator SMITH. They have had a headache. But that was a war condition and we don't want that in peacetime.

Mr. HINES. We want to get back to the free competitive system but during times like this there is a ceiling on certain foodstuffs, but you go on down to the fish market and ask the prices of some of the sea foods and they are ridiculous, all out of proportion to what they should be.

I know there is a certain amount of spoilage and I happen to know that the differential between what they receive from the ultimate consumer and what the fisherman is paid—we have them organized—is so vast it is astounding. But as soon as we all get back to normal they will get back to normal.

Senator SMITH. I think we have had a good deal of abuse by the middleman taking the profits while the consumer is charged too much.

Mr. HINES. And I submit that all these fellows who have been piling up huge profits and have not been able to hide them away where the man from the Treasury Department can't get at them—the higher they go the more that he pays Uncle Sam and he lessens the burden on the little fellow.

Senator ELLENDER. Mr. Hines, you say you hope this increase in wages will not increase the cost of production.

Mr. HINES. I don't say I hope. I say I know it won't in many instances.

Senator ELLENDER. I exhibited a table a moment ago showing that 54 percent of those engaged in the lumber and timber industry would be affected.

Now, I have before me a table that was worked out from the accounts of 199 mills throughout the South.

On a direct labor cost per thousand board feet, based on straight time earnings, beginning at 40 cents per hour, the labor cost is $15.52; at 45 cents it is $17.46——

Senator AIKEN. For what?

Senator ELLENDER. Per thousand board feet.

Senator AIKEN. For shingles or what?

Senator ELLENDER. Per thousand board feet of lumber. At 50 cents it is $19.40; at 55 cents it is $21.34; at 60 cents it is $23.28; at 65 cents, which you are now proposing for the first year, the increase would be $25,22, or $9.70 per thousand from the present legal minimum. For 70 cents it is $27.16, and at 75 cents it is $29.10, or an increase of $13.58 per thousand board feet from the legal minimum.

Or to give it percentage-wise, it would increase the labor costs should the legal minimum of 40 cents be raised to 75 cents, or 87½ percent per 1,000 board feet.

Mr. Chairman, I would like to have this entire table placed in the record at this point. May it be inserted at this point?

Senator TUNNELL. It may be done, without objection.

(The table appears on p. 226.)

Mr. HINES. May I suggest that if the workers' wages were increased to the proportions you mentioned they would probably be able to buy a couple more suits of clothes from the fellow who manufactures clothes in New Orleans.

Senator ELLENDER. But what are you going to do with the lumber industry, unless lumber prices are increased because of higher wages? Are you going to put them out of business so they can't manufacture lumber? If so, what are you going to do with the carpenters and bricklayers who depend on the lumber business to practice their trades?

Mr. HINES. Can you translate that into the number of hours it will take to build a house and the number of houses that can be built and the real-estate operator's profit on the house?

Senator ELLENDER. But you are increasing the labor cost of lumber 87½ percent, I believe as I pointed out, and the materials in a building amount to about 50 percent of its entire cost, doesn't it?

Senator AIKEN. What is included in that, from the cutting of the tree to the finished product?

Senator ELLENDER. That is right. This bill, if it becomes law, will affect those who cut the trees down. Those who haul the logs to the mill and on to those who handle the lumber until it becomes a finished product. You will have to pay them the minimum of 65 cents the first year and in 2 years it will be 75 cents per hour.

Senator AIKEN. How does that cost compare with the cost of cutting pulpwood?

Effect of increased minimum hourly wage rates on southern pine costs computations based on conditions applicable to year 1944

Item	Basis year 1944	Change from base year 1944 at increased minimum hourly rates, by intervals					
Minimum hourly wage [1]	40 cents	45 cents	50 cents	55 cents	60 cents	65 cents	70 cents	75 cents.
Do.[2]	52 cents	58.5 cents	65 cents	71.5 cents	78 cents	84.5 cents	91 cents	97.5 cents.
Direct labor cost per M based on straight-time earnings [3]	$15.52	$17.46	$19.40	$21.34	$23.28	$25.22	$27.16	$29.10.
Increase		$1.94	$3.88	$5.82	$7.76	$9.70	$11.64	$13.58.
Percent increase		12.5	25	37.5	50	62.5	75	87.5.
Direct labor cost per M based on total earnings reported by 84 group I mills, year 1944.[4]	$18.12	$20.72	$23.03	$25.33	$27.63	$29.93	$32.24	$34.54.
Increase		$2.30	$4.61	$6.91	$9.21	$11.51	$13.82	$16.12.
Percent increase		12.5	25	37.5	50	62.5	75	$7.5.
Total cost per M based on 199 mills reporting for year 1944 [5].	$45.17	$47.47	$49.78	$52.08	$54.38	$56.68	$58.99	$61.29.
Increase		$2.30	$4.61	$6.91	$9.21	$11.51	$13.82	$16.12.
Percent increase		5.1	10.2	15.3	20.4	25.5	30.6	35.7.

[1] Straight-time minimum rate per hour (wage-hour law).
[2] Average hourly wage resulting from application of minimum rate, based on proportions applicable to year 1944.
[3] Average labor cost per M board feet, straight-time earnings, based on percentage increase in hourly rate and on production and operating conditions applicable to year 1944 (1944 average computed from reports of U. S. Bureau of Labor Statistics on Employment and Wages, and from reports of U. S. Forest Service on Production.
[4] Average labor cost per M board feet, total direct wages paid, based on percentage increase in hourly rate and on production and operating conditions applicable to year 1944 (1944 average computed from cost reports of 84 mills giving wage details—3 in Inner Pine War Committee study).
[5] Average total cost per M board feet, resulting from increased labor cost noted in item 4 above. Adjusted for labor increase only (1944 total cost computed from reports of 199 mills—Southern Pine War Committee study).

Senator ELLENDER. Pulpwood is figured on a cost per cord basis. My recollection is $2.50 per cord on up to $4, I believe.

Senator AIKEN. That seems very low because I know in the North, in my State, it runs from $5 to $6.50 per cord. Now, much of the cutting is done with power saws and two men go into the woods and cut 12 to 14 cords in the same length of time they cut 4 cords previously. There is more efficient processing and cheaper merchandising which will, to a considerable extent, off-set increased costs of labor.

Mr. HINES. Those figures don't mean anything unless given in relation to the total cost of the house the thing goes into.

We have to know the commission of the real-estate man and the wages of the other groups and the profit to the man who sells the lumber.

The mere fact that they raise the wages of a group of workers who process lumber does not mean you are going to have an exorbitant increase in the cost of building.

Senator SMITH. Is it fair to ask if you raise the wages to that extent might you not shut the lumber mill down entirely?

Mr. HINES. I read an article the other day where the Aluminum Corporation of America controls practically all the aluminum and aluminum products in the world, and the article went on and intimated that if you set prices people won't stop using aluminum. Mills won't shut down. There will be a need and a demand for lumber. All that will happen is that these workers will get more in their pay envelopes, and I hope they buy a suit of clothes from the man in New Orleans.

Senator ELLENDER. But the point I am trying to make is that by increasing the wages you are bound to increase the cost of production as I just indicated a moment ago. You cannot escape that proposition.

What you have been saying in effect is that by increasing these wages as you are now proposing it will not materially increase the cost of production. I can't agree with you.

Mr. HINES. I can't concede or won't concede that there will be any general trend or that there will be an overwhelming increase in the cost of things produced. I don't think the 65 cents will have any appreciable effect at all.

Senator SMITH. You are speaking of the minimum wage?

Mr. HINES. That is right. I don't think it will have any appreciable effect at all.

Senator AIKEN. When you say there need be no great increase in the cost of what the consumer purchases, you refer to the over-all costs? You don't mean, of course, there won't be an increase in certain items, and it is only natural that those materials and goods which the consumer buys and which are produced, where the cost of lumber represents a large percentage of the cost, will be increased?

Mr. HINES. Where the profit has been held to a narrow margin.

Senator AIKEN. And in regard to the woodworking industry, I think that is one industry in the North that will have to raise its wages. I don't mean in the sawmill or in the woods, but in the factories wages will have to be raised because of the highly competitive nature of the industry which has forced prices down and everybody underbids everybody else until they can't pay high wages.

Mr. HINES. That is right.

Senator, I have a number of other amendments, and I don't like to encumber the record. May I submit them for your perusal later on?

Senator TUNNELL. Yes, sir. They may be inserted in record.

Mr. HINES (continuing). 2. Proposed amendment to section 3 of the act, page 3, lines 3 through 10: Delete lines 3 through 10—containing definitions of "job classifications" and "unskilled job classification."

3. Proposed amendment to section 6 of the act, page 3, line 11, through page 4, line 2, of the bill: On page 3, in lines 21 through 23, delete:

(not in excess of 75 cents an hour for unskilled job classifications).

4. Proposed amendment to section 8 (a) of the act, page 5, line 17, through page 6, line 5, of the bill: On page 5, in lines 20–21, delete:

for unskilled job classifications.

On page 5, in lines 22–24, delete:

and to provide for the maintenance of reasonable wage differentials between intermediate job classifications in such industry.

5. Proposed amendment to section 8 (c) of the act, page 6, line 20 through page 8, line 9 of the bill: Delete the entire subsection and insert in lieu thereof the following:

(c) In determining minimum wage rates for each industry, the industry committee and the Administrator shall consider among other relevant factors the following:

(1) The cost of living;
(2) Competitive conditions as affected by production and transportation costs;
(3) The wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing; and
(4) The wages paid for work of like or comparable character by employers who voluntarily maintain minimum wage standards in the industry.

No minimum wage rate shall be fixed solely on a regional basis and no wage differentials shall be provided on the basis of age or sex.

6. Proposed amendment to section 8 (e) of the act, page 9, lines 3 through 10, of the bill: In lines 3 and 4, delete:

for unskilled job classifications.

In line 8, delete:

for unskilled job classifications.

7. Proposed amendment to section 8 (f) of the act, page 9, lines 11 through 22 of the bill: In lines 12 and 13, delete:

, or subdivision thereof and job classifications therein.

Gentlemen, I have enjoyed myself immensely. I am sorry President Green could not be here and have gotten the same pleasure out of this as I have.

I want to thank the committee for the courtesy extended to us.

Senator TUNNELL. Thank you for testifying, Mr. Hines.

Is Miss Lenroot here?

TESTIMONY OF KATHARINE F. LENROOT, CHIEF, CHILDREN'S BUREAU, UNITED STATES DEPARTMENT OF LABOR

Senator TUNNELL. Miss Lenroot, will you give your name and position to the stenographer?

Miss LENROOT. Katherine F. Lenroot, Chief, Children's Bureau, United States Department of Labor.

Mr. Chairman, I wish to speak briefly concerning the amendment to section 12 of the Fair Labor Standards Act included in the pending bill. The amendment would provide a new paragraph (b), making the present paragraph (b) become paragraph (c), the new paragraph to read as follows:

No employer engaged in commerce or in the production of goods for commerce shall employ any oppressive child labor in or about or in connection with any enterprise in which he is so engaged.

The existing act does not prohibit the employment of children as such, but prohibits the shipment of goods from establishments in which oppressive child labor, as defined in the act, is employed, and we believe it is essential and very important to strengthen this by providing, in addition to the prohibition of shipment of goods, a direct prohibition of employment of oppressive child labor.

Senator TUNNELL. Will you state what you think is included in oppressive child labor?

Miss LENROOT. As defined in section 3 of the present law, oppressive child labor means a condition of employment under which children under the age of 16 years are employed, with limited exceptions for children of 14 and 15 years of age, in occupations and under conditions determined by the Children's Bureau as not interfering with their health, schooling or wellbeing, and, in addition, coverage of minors between 16 and 18 years of age in hazardous occupations.

The proposed amendment would close a gap in coverage which was pointed up early this year by the Supreme Court in a case arising under section 12 (a) of the Fair Labor Standards Act. In this case, 323 U. S., 490, *Western Union Telegraph Company* v. *Katharine F. Lenroot*, the United States Supreme Court in January 1945 held, by a 5 to 4 decision, that the Western Union Co., while clearly engaged in interstate commerce does not produce goods or ship them in commerce within the meaning of the present child-labor provisions of the act, and that, therefore, children employed in telegraph messenger service for the company do not have the protection of its child-labor provisions.

The proposed amendment also would generally strengthen the child-labor provisions of the act and would result in giving to the children of the Nation protection which I believe was intended when the original act was passed in 1928.

In discussing the definition of "oppressive child labor," I should note that children employed in agriculture, when not legally required to attend school or as actors in motion pictures or theatrical productions, or working for their parents in occupations other than manufacturing or mining, are exempted.

Now, prior to the United States Supreme Court decision, the Bureau had proceeded on the assumption that the child labor provisions applied to establishments such as Western Union.

The undesirability of the employment of young children in public messenger work was recognized when in issuing an order as to conditions under which 14- and 15-year-old children could be employed under the act, it was provided that messenger service was not recognized as a suitable occupation for the employment of 14- and 15-year-old children.

There are many reasons why messenger work is not desirable for employment of children. It involves exposure to all sorts of weather extremes, physical strain, accident and health hazards and often long hours and late night employment.

Children under 16 years of age, because they are still in the period of growth, need special protection from over-strain and fatigue and they need time for sufficient sleep. In fact, inspections made under the Fair Labor Standards Act have shown messenger boys under 16 working late at night, carrying heavy schedules of school and work, and meeting with serious work accidents.

There is also other evidence of special accident hazards in telegraph-messenger work. According to annual reports for 1941 submitted to the Federal Communications Commission by the major telegraph, cable, and radiotelegraph companies, accidents to messengers—practically all of them telegraph messengers—caused 72 perecent of all the injuries occuring to their employees, although messengers formed only 36 percent of the employees as of December 31, 1941—a season of peak employment.

Mounted messengers on bicycles or motor scooters or other vehicles often in congested city areas are exposed to serious traffic hazards during most of their working time.

Foot messengers must work in winter, in cold weather, and face the danger of falls on icy or wet pavements.

The messenger must work under pressure of a time schedule for making deliveries.

Other types of Western Union employment are also hazardous. In a recent case brought to the attention of the Children's Bureau two 15-year-old boys working as groundmen with the Telegraph Co.'s construction crew were killed.

The proposed amendment does provide much needed protection for children who are not covered under the present wording of section 12 (a).

Senator SMITH. Do I understand that you are advocating doing away with messenger service entirely?

Miss LENROOT. For children under 16 years.

Senator SMITH. The hazards you are speaking of, any child incurs when he goes back and forth to school, doesn't he?

Miss LENROOT. That is true, Senator Smith, but those hazards are accentuated when working in downtown areas and working long hours.

Senator SMITH. I am familiar with many instances in which youngsters have been helped in getting their education by such work, and I am under the impression that the messenger service of Western Union has been pretty well protected.

Miss LENROOT. There are occupations in which children under 16 could be employed without extra hazard outside school hours under safe conditions, and their help in that way could be secured for the family's support.

Senator SMITH. Do you happen to know what percentage of Western Union messengers are under 16 years old?

Miss LENROOT. On March 31, 1943, before the case had been handed down by the Supreme Court, 11 percent of the messengers employed by Western Union were reported to be under 16 years, and the Western Union Telegraph Co. is probably the largest employer of children under 16 in the country. The fact that they work late at night, all hours and under all conditions, makes the employment more hazardous than the ordinary traffic going to and from school.

Senator TUNNELL. Don't you think bicycle riding is a little more hazardous than any method of transportation, anway?

Miss LENROOT. I think it is, Mr. Chairman.

Senator TUNNELL. Regardless of age?

Senator ELLENDER. I think it is more hazardous for older people than for younger ones.

Senator SMITH. Mr. Chairman, what I was trying to get clear in my own mind is that the witness is advocating elimination of messenger service under 16 years of age——

Miss LENROOT. I am advocating the direct prohibition of oppressive child labor under the Fair Labor Standards Act.

If this amendment were adopted it would be within the discretion of the Chief of the Children's Bureau, after careful consideration, to determine whether or not messenger service was an occupation which could be prohibited for 14- or 15-year-old children outside of school hours.

In the study we gave the question before, we were aware that messenger service was not covered by the act, and we came to the conclusion, after careful review of the evidence of accidents and testimony in hearings, that we should not authorize employment of children under 16 in messenger service.

If this amendment were adopted, however, it would still be within the discretion of an administrative agency to make such findings as the evidence indicated, and if evidence indicated the occupation was relatively safe, 14- and 15-year-old children might be permitted——

Senator SMITH. Do you happen to know what action the Western Union Co. has taken about this?

Miss LENROOT. I don't know what action the Western Union Co. has taken.

Reports to the Children's Bureau of certificates issued to children going to work show nearly 6,000 children of 14 and 15 going into telegraph messenger work in 1943.

Senator TUNNELL. Didn't you say 11 percent?

Miss LENROOT. Eleven percent, on March 31, 1943, were under 16.

In 1944, following the decisions of the district court and circuit court of appeals holding that the child labor provisions of the Fair Labor Standards Act applied to Western Union messengers, the number of certificates issued dropped to about 1,700, but since the Supreme Court decision incomplete reports for the first 6 months of 1945 show more than 2,000 children of 14 and 15 certificated for messenger work.

The recent war experience during a time of unprecedented labor shortage has demonstrated the practicability and desirability of the basic 16-year minimum age established by Congress in 1938 under the Fair Labor Standards Act.

There has been no serious attack upon this standard and the cooperation of the employers and the public has demonstrated wide public acceptance of the wisdom of the action of Congress in setting up this Nation-wide protection for the country's children, and now that we are no longer in a period of the war effort it seems we are entering upon a period in which we should provide the full protection which I believe Congress intended to provide when the provisions of the National Standard Labor Act were enacted into law.

Senator TUNNELL. Are there any questions of Miss Lenroot?

(No response.)

Senator TUNNELL. Thank you, Miss Lenroot.

I have been asked to announce that next week the opposition to the bill will have their innings.

We will now adjourn until Thursday of this week at the same time and place.

(Whereupon, at 11:50 a. m., an adjournment was taken until 10 a. m., Thursday, October 4, 1945.)

AMENDMENT OF FAIR LABOR STANDARDS ACT

THURSDAY, OCTOBER 4, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, La Follette, Aiken, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will be in order.

Mr. Walling, will you come forward, please? Will you give your name and connection, for the record?

Mr. WALLING. L. Metcalfe Walling, Administrator of the Fair Labor Standards Act and Public Contracts Act.

Senator TUNNELL. Are you accompanied by anyone?

Mr. WALLING. Yes, sir, I am accompanied by William R. McComb, Deputy Administrator, and Harry Weiss, Director of the Economics Branch, Wage and Hour Division. However, I do not anticipate that either of them will make any statement unless there are some technical matters you desire to inquire about.

Senator TUNNELL. Very well. Will you proceed?

TESTIMONY OF L. METCALFE WALLING, ADMINISTRATOR, FAIR LABOR STANDARDS ACT, AND PUBLIC CONTRACTS ACT, ACCOMPANIED BY WILLIAM R. McCOMB, DEPUTY ADMINISTRATOR, AND HARRY WEISS, DIRECTOR, ECONOMIC BRANCH, WAGE AND HOUR DIVISION

Mr. WALLING. Mr. Chairman, and members of the committee, the Secretary of Labor, in his testimony the other day, made the departmental position on the policy of this bill clear; and Mr. Hinrichs, of the Bureau of Labor Statistics, covered the economic aspects of the bill. So I shall generally confine myself to the administrative angles and problems which are raised, as I think I can be most helpful to the committee in that direction and avoid duplication of what has already been said.

I come here generally in support of S. 1349 as an extension of the benefit the American people have had from the Fair Labor Standards Act since 1938, although I have some changes that I would like to suggest in the amendments, and I will present these in detail later on. It is not a question simply of benefit to the wage earners, although those who would make the greatest gains under this proposal are those who need help most, those lowest paid and weakest in economic

bargaining power. I believe that the basic intention to raise the minimum wage and narrow exemption from both the minimum wage and overtime provisions is not only economically feasible at this time but it can assist in stabilizing our economy during reconversion and thereafter; it can provide insurance in the form least likely to lead to inflation against a chaotic drop in purchasing power. The floor under wages should be strengthened.

We all recall the calamity-howling that went up in 1937 and 1938 over the supposed ruination of business that would come with even a 25-cent or a 30-cent minimum wage, with 40 cents in prospect. I shall touch on this at greater length later, but these statements today do not need refutation. Merely to repeat them today is to let them refute themselves.

Senator TUNNELL. Right there, if you don't mind, do you show in your statement that there was no such calamity following the 1938 act?

Mr. WALLING. Yes; I am going to quote, a little bit later, from some of the comments which were made in that direction.

Senator TUNNELL. Very well.

The time to act is now. As President Truman said in his message to the Congress of September 6 [reading]:

> I believed that the goal of a 40-cent minimum was inadequate when established. It has now become obsolete.
>
> Increases in the cost of living since 1938 and changes in our national wage structure require an immediate and substantial upward revision of this minimum. Only in that way can the objectives of the Fair Labor Standards Act be realized, the national purchasing power protected, and an economy of full production and abundance preserved and maintained for the American people.
>
> The high prosperity which we seek in the postwar years will not be meaningful for all our people if any large proportion of our industrial wage earners receive wages as low as the minimum now sanctioned by the Fair Labor Standards Act.
>
> I therefore recommend that the Congress amend the Fair Labor Standards Act by substantially increasing the minimum wage specified therein to a level which will eliminate substandards of living and assure the maintenance of the health, efficiency, and general well-being of workers.

The President was equally cogent in urging limitation of the exemptions in the act, a number of which have lost such economic justification as they had. In this statement I shall first discuss these exemptions in detail, second, take up the question of minimum wage and child labor, and third, answer the request of the committee that I set forth suggestions for further amendment not touched on in the present bill.

First of all, the exemptions. This is with regard to the elimination of sections 13 (a) (10) and 7 (c), which are two of the important exemptions sections.

The bill proposes to eliminate from the Fair Labor Standards Act sections 13 (a) (10) and 7 (c). Section 13 (a) (10) provides exemption from the minimum wage and overtime provisions of the act for a large number of specified agricultural handling and processing operations when performed in the "area of production" as defined by the Administrator. Upward of a million-and-a-quarter workers are employed in performing operations that may qualify for the exemption if they meet the requirements.

Senator ELLENDER. Mr. Walling, could you at this point insert in the record, if your statement does not contain it, such a classification of the employees as would be affected by these two amendments?

Mr. WALLING. I think that I do cover that in what I say. If I don't, Senator Ellender, will you make it known, and I will be glad to amplify that.

Senator ELLENDER. Yes, sir.

Mr. WALLING. Under section 7 (c) a wide variety of agricultural processing operations employing some 265,000 additional workers may qualify for 14-week or year-round overtime exemption if the requirements under this section are met by the activity of the establishment and the occupation of the employee. Under one of the clauses of section 7 (c) a 14-week overtime exemption may apply if the establishment is in the area of production, and other tests required under section 7 (c) are met.

Senator TUNNELL. Would you explain that in a few words? It seems to me the language is rather complicated. You say that section 13 provides exemption from the minimum wage and overtime provisions of the act for a large number of specified agricultural handling and processing operations. Now, what will the new act do with reference to those agricultural employees?

Mr. WALLING. The new act would eliminate exemption for all employees except those in seasonal industries, as determined by the Administrator.

Senator TUNNELL. And they would still be under the seasonal——

Mr. WALLING (interposing). The seasonal employees as determined by the Administrator would be entitled to 14 weeks' overtime exemption——

Senator ELLENDER (interposing). Overtime exemption only?

Mr. WALLING. That is right.

Senator ELLENDER. But the minimum wage would apply?

Mr. WALLING. The minimum wage would apply to all employees in these occupations.

Senator ELLENDER. In that connection, Mr. Walling, I believe it might be well for you to be a little more specific as to exactly what employees that would exempt, or that that would affect, I should say. I wish you would also put in the record how, in the past, you have determined these areas of production as referred to in the act because, as I remember, there was quite a controversy as to the extent of the Administrator's authority under the law.

Mr. WALLING. Yes. On that point, the definition which was in effect when I became Administrator provided, among other things, that one test should be whether the establishment employed 10 or more employees, and it was that point which was involved in the litigation which ultimately went to the Supreme Court in the Holly Hill case, where the Supreme Court decided in a 5 to 4 decision that that numerical test of employees was not a proper interpretation of the term "area of production," and the Court directed the Administrator to redefine the term "area of production."

Now, as to the employees affected, would it be helpful to the committee if I put into the record some figures—which are only an estimate, because it is impossible to do more than that—of the number of employees in different occupations who would be affected? Is that what you would like, Senator Ellender?

Senator ELLENDER. What I had in mind was a sort of classification of the employees that would be affected.

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Mr. WALLING. Well, I think this is it.

Senator ELLENDER. For instance, let us say you have a lot of apple growers in Virginia, and some of them are quite large operators. Some of them have their own facilities on their farms to pack and prepare their own fruit for market. Would they in any wise be covered by this bill?

Mr. WALLING. The bill itself, as we said a minute ago, would subject all of these employees to the minimum wage obligations. The only exemption to which these agricultural processing and seasonal industries would be entitled would be an overtime exemption for 14 weeks, depending on whether they could qualify for classification as a seasonal industry.

Senator ELLENDER. Under the law as it now stands and, I believe, under the proposed changes, it is felt that agricultural labor should be exempted from wages and hours and everything else. Am I correct in that?

Mr. WALLING. Yes.

Senator ELLENDER. Well, now, would you not consider labor as agricultural labor that is engaged on a farm in preparing fruit for the market when the whole operation is conducted by the farmer himself on his own farm with his own facilities?

Mr. WALLING. Well, the act as it now stands specifically refers to first processing, which would cover, I think, many of the occupations which you refer to; and of course, agriculture itself, under the act, is specifically exempt.

Senator ELLENDER. As I understand it, under the present law if a fruit grower produces enough apples, let us say on his farm, and he can afford to have a packing plant on his farm, and should he employ as many as 25 people, to polish the fruit and pack it and have it ready for shipment, such employees would not under this new set-up be considered as farm labor. Is that correct, or not?

Mr. WALLING. I don't think that necessarily follows. I thought you were going to say that those employees, at present, of the farmer, would be exempt as agricultural employees, which is correct; but I don't understand that the proposed bill changes the definition of agriculture in any way. It merely deals with the subsequent operations to agriculture, that is, the processing of agricultural products.

Senator ELLENDER. Well, then, let me put it this way—I desire to put in in the affirmative now and be more specific—should a large fruit grower have a processing plant of his own, and should be prepare his fruit for market on his own farm, then neither the present law nor the act we are considering would in any wise affect him?

Mr. WALLING. I think that is correct.

Senator ELLENDER. Suppose, on the other hand, that a few farmers, small farmers, got together and agreed to purchase machinery for processing their own fruit in the same manner as the large grower does—would they be covered by the proposed act, or would they be exempt?

Mr. WALLING. I think they would be covered insofar as any produce is handled which is not raised on the particular farm. That is, the exemption goes to the farmer and his employees, but not to the handling of products by someone else, raised by someone else.

Senator ELLENDER. In other words, the same operation as performed by the farmer who picks and processes his own, can't be done by half a dozen farmers who choose to buy a procesing machine and prepare their fruit for market in the same way as the single farm operator does?

Mr. WALLING. Under the area of production, whatever that is ultimately defined to be, under the present act, if they could qualify under that they would, of course, be entitled to the exemption. But this bill, of course, does away with any area of production exemption, so that those operations, I think, would be clearly subject, under the proposal.

Senator AIKEN. You mean even though a group of farmers organized to process just their own fruit, we will say, to pack or process their own fruit? Wouldn't there be a distinction whether they were handling their own fruit exclusively in a nonprofit organization, or whether they organized and bought fruit from other growers and made a profit on it? Would there not be a distinction there?

Mr. WALLING. I don't understand the bill to provide any distinction based on whether it is nonprofit or profit.

Senator AIKEN. Do you understand that this bill would eliminate the exemption for a fruit grower who hired packers to sort and pack his applies in the fall of the year?

Mr. WALLING. On his own farm?

Senator AIKEN. Yes.

Mr. WALLING. No, I think not, if they are directly employed by him. But I understood your case to be one where several farmers pooled their efforts together and did packing on one farm, let's say, of produce raised on others.

Senator AIKEN. Under the law, doesn't the farm cooperative have the same status as an individual?

Mr. WALLING. No; not at the present time. There is no reference to cooperatives at all in the Fair Labor Standards Act. They have no special treatment; it is the individual farmer only.

Senator ELLENDER. But under this new amendment of yours they would be further affected, would they not?

Mr. WALLING. The cooperatives?

Senator ELLENDER. Yes.

Mr. WALLING. Yes, I think that some of them which now can qualify, probably, under a definition of "area of production," would, under the proposal, not be able to avail themselves of an exemption.

Senator ELLENDER. Can you be a little more specific now and tell us the difference, because I believe that is very important. All of us, I think, believe in the formation of cooperatives for the purpose of helping the farmers as much as possible. I would like for you to state to us, first, how the present law affects such cooperatives; and then what changes are made in the bill as now proposed, and what changes will be made from such amendments as you yourself may propose.

Mr. WALLING. As I understand it, neither under the act as at present worded, nor under this bill, would cooperatives be treated any differently merely because they are cooperatives. They will have to qualify or fail to qualify for the exemption under either the act or the bill, depending on whether they meet the standards that are applicable to everybody else. In other words, there are no special provisions or special exemptions applying to cooperatives, as such.

Senator AIKEN. Mr. Walling, it occurs to me that certain REA cooperatives, in some States at least, have been exempt from having to

get the consent of the State public service commission or being under the rules and regulations of the State public service commission because they were regarded as having the rights of the individual rather than a corporation.

Mr. WALLING. Yes.

Senator AIKEN. And I am wondering why that would apply to the REA and not to the same farmers, perhaps, pooling their apple crop in order to grade more uniformly and to handle their crop better. I can see how, if they bought apples from their neighbors and made a profit on them, that they would——

Senator TUNNELL (interposing). Wouldn't that depend somewhat on whether the cooperative was for the benefit of the whole, much the same as a corporation or a company, or whether it was a means of having the individual farmer's own fruit processed and taken back?

Senator AIKEN. The idea, Senator, is this: We will say that 25 farmers couldn't each afford a grading machine, but they could afford one collectively.

Senator TUNNELL. I am asking if it wouldnt' make a difference as to whether they were to get their products back-graded, or whether it was a business proposition in the name of a cooperative or a partnership by which the products were sold as joint property.

Senator AIKEN. Well, that is what I am trying to find out, too.

Mr. WALLING. As the committee knows, many States have enacted protective and encouraging legislation for cooperatives, and that varies from State to State according to individual State policy; but there is nothing in this act which deals with cooperatives or gives them any special status in the law.

Perhaps I might refresh your recollection of the definition of agriculture now in the statute, which I think makes very clear what the limitations are. [Reading:]

"Agriculture" includes farming in all its branches and among other things includes the cultivation and tillage of the soil, dairying, the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities (including commodities defined as agricultural commodities in section 15 (g) of the Agricultural Marketing Act, as amended), the raising of livestock, bees, fur-bearing animals, or poultry, and any practices (including any forestry or lumbering operations) performed by a farmer or on a farm as an incident to or in conjunction with such farming operations, including preparation for market, delivery to storage or to market, or to carriers for transportation to market.

You see, there is nothing in there which refers in any way to cooperatives, and I think it is very clear that the congressional policy was to treat cooperatives on the same basis as other types of business organizations; and as I understand it, the bill leaves untouched that policy.

Senator AIKEN. Then you claim that if 6 farmers get together and buy an apple grader, that the labor they employ would come under the law, the wage-and-hour law; but if each one of them bought a grader separately, which they couldn't afford to do, they would be exempt? I can't see that.

Mr. WALLING. Of course, under the present act, Senator Aiken, the operation would undoubtedly be entitled to some kind of an exemption, but that is not because it is a cooperative, but because it is first processing or because they are within the area of production, or something of that sort.

Under the proposed bill, the only ground for an exemption would be for overtime in the case of industries which are found to be seasonal in nature.

Senator ELLENDER. They would still be exempted?

Mr. WALLING. That is under the proposed bill. They would be exempted as to overtime, not as to minimum wages.

Senator ELLENDER. But they are now exempt, as I understand, from minimum wages?

Mr. WALLING. Yes; if they are in the area of production, for example.

Senator AIKEN. Certainly in my part of the country they pay a lot more than the minimum wages in harvest season. I expect they do in most parts of the country.

Here is another thing. I don't know whether you are familiar with the controversy, which came up a year ago between the teamsters union and a certain dairy corporation, in which the union claimed that a farm upon which a milking machine was being operated was not a farm. And then the Selective Service advised me that they received an interpretation from the War Labor Board that a farm that had an incubator on it was not a farm but a processing plant, and therefore the labor employed there did not come under the Tydings amendment to the Selective Service Act.

You don't believe that either the War Labor Board or the teamsters union can change the definition of a farm as easily as that, do you? Would you say that a farm that operated a milking machine was not a farm and should not come under the——

Mr. WALLING (interposing). I think under the definition of agriculture in the Fair Labor Standards Act that is clearly an exempt operation as agricultural. But there is frequently—and that is one of the difficulties—in Federal legislation a variety of definitions of the term "agricultural." There is no uniformity in the use of that term in different statutes. So that one has to look at each particular statute to find out what the definition is for the purposes of that statute.

Senator AIKEN. In the final analysis, that definition which you just read is the definition of agriculture, isn't it?

Mr. WALLING. Well, it is the definition of the Fair Labor Standards Act, certainly.

Senator AIKEN. I cannot see why a farmer should have his status changed simply because he has an incubator and raises his own chickens instead of buying them from somebody else.

Mr. WALLING. I really don't think that problem arises in the administration of this act.

Senator AIKEN. No, I don't either.

Senator ELLENDER. Mr. Walling, in that connection, would you mind stating in a few words the extent to which a farmer can process his own goods on his own farm for marketing or storage or for any other purpose without coming within the purview of the proposed law?

Mr. WALLING. In the language of the definition, all the activities——

Senator ELLENDER (interposing). I have got your definition, but you are the present Administrator, and the purpose of my question was to ask you what your idea was now as to that, based on your past experience.

Mr. WALLING. Perhaps I can give you a specific illustration. For instance, if some lumbering operations are carried on as an adjunct

of the farm instead of as a timbering operation as such, we have always said that the language was very clear in the statute that that was incidental to agriculture and therefore entitled to the exemption.

If, however, a farmer owns a tract of timber, let us say, for purposes of illustration, some distance from the farm where he is carrying on dairying operations, and he operates that as a lumber operation without any reference to his farming activities, and those logs which are cut and sawed are shipped in interstate commerce, then I think that isn't incidental to farming and therefore would not be entitled to the agricultural exemption.

Senator ELLENDER. Well, suppose instead of the tract of timberland being away from his farm it were adjacent or contiguous to it, and in order to carry on an all-year-round operation he did that, would he not be exempt?

Mr. WALLING. I think it depends on the degree of integration of the timbering operation with the farming activity. As a practical matter, Senator, I think there has been very little difficulty either in enforcing that provision, administering it, or on the part of farmers themselves in knowing whether they were or were not exempt. In a practical case before you, it is pretty easy to tell whether the farmer is just doing some incidental lumbering operations, or whether he is really engaging in the lumber and timber industry.

Senator TUNNELL. Isn't your distinction whether he could sell the farm and still continue his operation of the timber without any detriment at all, or whether it is carried on in connection with the farming and the stoppage of one would have a tendency to stop both?

Mr. WALLING. Certainly if the operation is so separate that the sale of the farm doesn't affect the production of timber, let's say, that would be very clear.

Senator ELLENDER. But if he were engaged solely in timbering, it wouldn't be farming. I think that is what the Senator had in mind.

Mr. WALLING. That is obvious.

Senator AIKEN. You haven't had much trouble in that respect the last few years, have you?

Mr. WALLING. No.

Senator AIKEN. There was for the first year or so in getting an understanding of just what was exempt and what was not?

Mr. WALLING. Yes. I don't think it has been a problem for some time, actually. I think it is pretty well established.

I fully endorse the proposel to cancel entirely the minimum wage exemption hitherto available under section 13 (a) (10). It seems to me that this major step forward can easily be taken at this time. The general wage structure of the country has improved markedly since 1938, when the Fair Labor Standards Act became law. During extensive hearings which the Division recently held in connection with the redefinition of "area of production," numerous industry representatives testified that they were currently paying wage rates above the minimum required by the act. No conclusive evidence has been presented indicating that these processing and assembling industries are economically unable to move along with other industries of the country toward improved standards for their workers. It is particularly important at this time of major readjustment in economic activity and labor utilization to extend the boundaries of the area

within which the wage earners are afforded the fundamental protection of the minimum wage.

I may remark here that the cancellation of exemptions based on the area of production concept will remove a type of exemption that has resulted in serious inequities and has led to the most difficult problems of administration under any provisions of the act. The definition adopted by the divisions, and in effect for several years, which attempted to minimize competitive discrimination between establishments in the same industry was declared invalid by the Supreme Court in the Holly Hill case. I am now in the process of formulating another definition which, because of the limitations of Supreme Court interpretation and the present language of the statute, is bound to be unsatisfactory from an economic standpoint as it will inevitably create and extend unequal competitive situations and cut industries in two with some establishments subject and some exempt. The only sound solution is to eliminate the area of production concept completely by amendment to the act, as this bill does.

In addition to the minimum wage exemption provided for in section 13 (a) (10) that section also makes available a year-round overtime exemption for employees engaged in operations meeting its requirements. Year-round and 14-week unlimited overtime exemptions are also provided by section 7 (c). In all, industries comprising about 150,000 establishments and employing about a million and a half workers have been eligible for year-around or 14-week exemptions under sections 13 (a) (10) and 7 (c) taken together, provided that certain requirements of these sections are met. The proposal to eliminate not only 13 (a) (10) and the area of production part of 7 (c), but the remainder of 7 (c) as well, raises the basic question of what justification there is for granting total or partial overtime exemptions to the various industries engaged in the handling and processing of agricultural commodities. This question must be answered in terms of the basic objectives of the act. The two questions to be answered are (1) to what extent do these industries need to work more than 40 hours a week all year or during seasonal operations and (2) will the objectives of the act be furthered by requiring premium pay for such overtime work.

For a number of the industries in question, the need for overtime work is apparent. The industries subject to severe pressure of seasonal activity in the moving and processing of a crop fall in this category. In the canning of perishable fresh fruits and vegetables, for example, the entire available labor supply in the areas in which the establishments are located is frequently utilized during seasonal operations. At such times, employees often must work considerably more than 40 hours in order to prevent the spoilage of food. If the purpose of section 7 is to spread employment through penalizing overtime work, I wonder whether it would be appropriate to apply the penalty under such circumstances. I question that the objective of the act to spread employment would be achieved, since it would hardly be feasible for workers to move to other centers for a few weeks of work, except in some rare instances where such seasonal work might tie in with other kinds of activities at other times of the year. On the other hand, there is a question of social policy as to whether the worker should be rewarded by extra pay in the form of overtime where emergencies require long hours of work.

There does not seem to me to be any sound justification, either economic or social, for the all-year-round exemptions provided for in section 13 (a) (10) and certain portions of 7 (c) for industries that operate all year around, even though they may handle perishable commodities. Such industries can and should contribute to increased employment by reducing their normal workweek. It is probable, however, that such industries would require some overtime tolerance during the course of the year because of sharp fluctuations in the volume of commodities handled.

Some industries involved in sections 13 (a) (10) and 7 (c) would, under S. 1349, still retain a 14-week overtime exemption up to 12 hours a day and 56 hours a week under section 7 (b) (3) of the act. Included among these industries are those engaged in packing and canning fresh fruits and vegetables, which constitute by far the largest groups of industries to which the overtime exemption may apply. Other industries eligible for the 7 (b) (3) overtime exemption include cotton warehousing, tobacco auction warehouses, country grain elevators, and the processing of sugar beets and cane. It would not seem to me to be equitable to continue this exemption for these industries unless similar provision is made for other industries involved in section 13 (a) (10) or 7 (c) which are in equal need of overtime tolerances.

As the Secretary of Labor pointed out in his statement, the elimination of section 7 (c) from the act would still leave section 7 (b) (3) which would be available for the agricultural processing industries which are of a truly seasonal character and which cannot expand their labor force during periods of peak production. This suggestion involves a technical problem in that some of the industries for whom overtime exemptions are now provided under section 7 (c) would not qualify for the section 7 (b) (3) exemption, although they may need overtime themselves as much as industries which do qualify. The regulations issued pursuant to section 7 (b) (3) are based on a careful study of the congressional intent as indicated at the time when section 7 (c), as well as section 13 (a) (10) of the act, was placed in the act. If it is the committee's desire that some of the industries mentioned in 7 (c) or 13 (a) (10) should now become eligible for the 14-week exemption provided by section 7 (b) (3), some indication should be given of a broadened scope intended for 7 (b) (3), in order that the Administrator may have the necessary guide for revising the regulations issued pursuant to this provision of the act.

Now, I would like to talk about the revision of the fishery exemption.

Section 13 (a) (5) of the act, as presently written, provides for the complete exemption from both minimum wage and overtime provisions of the act for employees engaged in fishing and in processing and in handling fish and fish products. It applies not only to fishermen but also to manufacturing establishments which process fish and wholesale establishments which handle fish. S. 1349 proposes to eliminate the exemption for processing and handling of fish, restricting it in general to the actual fishing operations, including going to and coming from work. The industries comprised in the present exemption employ about 215,000 workers, of whom about 125,000 are engaged in actual fishing operations.

Senator ELLENDER. Mr. Walling, I am sure you will agree that there is quite a lot of fish processing that is seasonal to the same extent as is true with fresh fruit and vegetables. Why should you make a distinction between them?

Mr. WALLING. I suggest in just a moment that I think they should be treated like other seasonal industries, and that was what I had in mind in what I said a minute ago in suggesting that if 7 (b) (3) is to be the only exemption available, and that only on a seasonal basis, that the committee should consider broadening the scope of it, if they intend that to be done, in order that other industries which are not now qualified for the exemption, as seasonal, may be included, because I think that, as you say, Senator Ellender, all industries with the same seasonal characteristics should be treated alike.

Senator ELLENDER. As the bill is now drafted it does not do that, as I understand it.

Mr. WALLING. I think there should be clarification of what is meant by "seasonal," because the regulations which have been in effect for nearly 7 years now naturally were phrased in terms of the original act, and if there is to be a fundamental revision of that, we need guidance from the Congress as to whether they intend seasonal to be more broadly or more narrowly construed, and I think at the present time it would be difficult to include, under the term "seasonal," some of these other occupations which are as much entitled to be considered seasonal because of the nature of their operations as some of those which are now able to qualify.

Senator ELLENDER. Would you propose that the exemption for seasonal handling and processing of fish and other perishable goods be exempted from the act entirely?

Mr. WALLING. No; I think the committee's suggestion for overtime exemption only is proper.

Senator AIKEN. You would give them the 14-week exemption but not year-round exemption?

Mr. WALLING. That is right; for overtime only.

Senator AIKEN. But not for the minimum wage?

Mr. WALLING. Not for the minimum wage.

Senator AIKEN. Most of the objection that I heard raised has been to the overtime rather than to the minimum wage.

Mr. WALLING. I think that that is the difficulty.

Senator AIKEN. Because, after all, the wage level of agriculture is getting up closer to the wage level of labor in industry than it has been, particularly in the Northeast, where we have so many part-time farmers, anyway. They have to pay the same thing that they get in industry or they don't get any labor.

Senator ELLENDER. That is due to the impact of the war, isn't it, Senator?

Senator AIKEN. No; I think it was working up before the war.

Mr. WALLING. I believe the objectives of this proposed amendment are desirable. There is no reason why establishments which freeze, can, or wholesale fish should be treated any differently, as Senator Ellender has just pointed out, in terms of the basic coverage of the act than those establishments which handle, freeze, or process fresh fruits and vegetables. S. 1349 recognizes that the exemption for fishing operations, as such, is legitimate. It is impracticable to regulate hours of work for this industry and the regulation of hours would not further the basic objectives of the act in spreading employment. Since it is not possible to measure hours of work, it is also

impossible to establish any hourly minimum wage. Wage payments in this industry are frequently on a share basis, and it does not seem urgent at this time for the Federal Government to establish other methods of wage payments to fishermen. It may be desirable to study the earnings and income of fishermen to see if there is some special provision which might be required to give them such protection as may be found necessary, but at the moment I do not believe we have a basis for suggesting that such legislation is needed.

Senator ELLENDER. Mr. Walling, at this point could you, in a few words, tell us how the fishing industry is affected by the proposal?

Mr. WALLING. By the proposal?

Senator ELLENDER. Yes. I don't think you have covered that in your manuscript so far.

Mr. WALLING. What it does, of course, is to take away the overtime and minimum wage exemption for fish processing but leave fishing itself totally exempt.

Senator ELLENDER. Well, they have that now.

Mr. WALLING. No; not all parts of the industry.

Senator ELLENDER. Oh, you are advising that it should?

Mr. WALLING. I am advising that the proposal in the bill is sound, but that there is no reason for requiring minimum wage payments in the fishing industry because of the practical difficulties, among others, of trying to do that, the impossibility of estimating the hours worked, and the fact that the method of compensation is generally not on an hourly basis in the fishing industry.

I think it ought to be made clear, because my statement may not have been clear, that at the present time the bulk of the fishing operations are exempt.

Senator ELLENDER. That is what I understood. The question, then, is how are they affected by this new proposal?

Mr. WALLING. Well, it is the processing and the handling of the fish which are affected.

Senator ELLENDER. And what are you doing in that respect?

Mr. WALLING. Under the bill?

Senator ELLENDER. Under this new proposal.

Mr. WALLING. Well, I am suggesting that they should be put on the same basis as other processing operations; that you treat fish like fresh fruits and vegetables, for instance.

Senator ELLENDER. That is, you ought to have a seasonal exemption?

Mr. WALLING. That is right.

Senator ELLENDER. For overtime only?

Mr. WALLING. That is right.

Senator ELLENDER. All right.

Mr. WALLING. The exemption from the minimum-wage provisions of the act for fish processing and wholesaling, on the other hand, cannot be justified on the basis of perishability of products any more than for handling and processing of agricultural commodities. The necessity for minimum-wage protection for employees engaged in fish processing is indicated by a survey of selected key occupations in fish and sea food canning plants in 10 designated areas during the 1943 season by the Bureau of Labor Statistics, showing average hourly earnings in Mobile, Ala., of 32.4 cents an hour; of 35.7 in New Orleans, La., and of 38.2 in Norfolk, Va. These earnings may be contrasted with rates of 82.7 cents in Bellingham-Everett, Wash.; 63.2 in Portland-Lewiston and Bath, Maine, and 90.8 cents in Salinas, Calif.

However, because of the perishability of fish it may be desirable to consider the need for overtime tolerances for seasonal operations along with the suggestions I have made for the processing of agricultural commodities.

Aside from the provisions for overtime tolerances, at least one additional change should be made in S. 1349. As the bill now stands the exemption would not be applicable to fishermen unloading fishing vessels. This operation is often performed by fishermen, particularly in the case of fish for the fresh-fish market. Thus, these employees would lose the exemption during the workweek in which they engaged in unloading operations. Since they are likely to be at sea during the same workweek, it would be impossible, satisfactorily, to establish hours of work for the purpose of minimum-wage payment and overtime payment.

Senator ELLENDER. As I understand it, in Washington and Maine and California, isn't the processing there limited mostly to the canning of salmon, tuna fish, lobster, and other sea foods of that kind?

Mr. WALLING. I think it obviously is limited to the kind of sea food that those waters produce, because it isn't carried very far because of perishability.

Senator ELLENDER. Of course, because of the size of the fish it naturally takes less labor to handle them than, let us say, would be the case in Mobile or in New Orleans with respect to the canning of shrimp. For instance, the canning of shrimp is all done by hand, and after a shrimp is boiled the shell of each individual shrimp—which is about as big as your little finger—is peeled off, and it is all work done by hand. If the price for labor were, in that section, as much as it is in California or in Maine, I imagine instead of paying 25 cents for a can of shrimp you might pay as much as 50 cents.

Mr. WALLING. My estimate would be that the variation in the rates reflects the going rates in the communities rather than the difference in the amount of labor needed to perform the operation. I don't know that it takes more workers, necessarily, to handle the shrimp than it would for salmon. How can you compare the two? I don't think they are comparable on a poundage basis. Obviously a King salmon weighing 25 pounds is going to be equivalent to a good many bushels of shrimp.

Senator ELLENDER. To prepare a tuna fish weighing 50 pounds, that will make 40 pounds of canned tuna fish, and to prepare 40 pounds of shrimp, I would say, requires 3 to 4 times more workers for the shrimp than for the tuna fish.

Mr. WALLING. What I am proposing is merely that whatever the wage applicable, all employees in these fish-processing establishments get it, whatever it may be. I am not discussing the variation between different sections of the country except I mentioned that in order to indicate the need for minimum wage protection for some of these workers.

Senator ELLENDER. If we were to apply the law as now proposed, it would not affect Washington, it would not affect California, but it

would have the tendency of making it cost two and a half times as much in Alabama——

Mr. WALLING (interposing). Well, of course, that is——

Senator ELLENDER (continuing). And more than twice the price at New Orleans.

Mr. WALLING. That will be the effect in various other occupations, too. That result is not limited merely to the processing of fish. There are many occupations subject to the law which would not be affected in the slightest degree by any minimum wage change proposed, because they are already paying more than that.

Senator ELLENDER. I have heard that argument before. On the other hand, it has been testified that by raising the minimum wage it would have the effect of causing a considerable rise in the wages in the upper brackets.

Mr. WALLING. I am sorry I don't have more up-to-date figures on the actual earnings in this industry. These 1943 figures are, I think, the latest available. But I think we can all say from our general knowledge of what has happened to the general wage structure of the country, and the difficulty which the fishing industry and these related occupations have had in recruiting labor to turn out production, I think we can assume from that that undoubtedly in Mobile and Norfolk, for instance, a much higher wage is being paid than these figures which I have quoted here. I am not able to tell you the exact wage, because no such figures are available.

Senator ELLENDER. Of course, that is due to the impact of war and the lack of meat, and things like that. The consuming public was paying much more and higher wages could be met. But I am looking to the future when we get back to normalcy, as to what is going to happen.

Mr. WALLING. I think your Louisiana shrimp canners have done such a good job in educating our taste to shrimp that we are all going to buy great quantities of it when the war pressures are off and we can again get plenty of meat.

Senator ELLENDER. I hope you are right. Competition from meat and fish products will doubtless affect shrimp prices.

Mr. WALLING. A related problem is posed by the fact that cleaning and filleting is sometimes done on board, between runs of fish or on the inward trip. The difficulties discussed above would make segregation of this work and wage-and-hour regulation impracticable. I suggest, therefore, that the proposed exemptions be extended to the unloading of vessels by fishermen and the performance by fishermen of offshore duties, incidental to the taking and bringing in of the catch, but not work done on such operations as floating canneries.

Now, elimination of the seamen exemption:

The effect of the elimination of the 13 (a) (3) seamen exemption would be to bring under the act approximately 320,000 workers currently employed in the deep sea, Great Lakes, and inland water shipping. Of this total, approximately 50,000 are estimated to be engaged in the inland waters, 20,000 on the Great Lakes, and 250,000 in deep-sea shipping. This employment, however, reflects the wartime situation and it is reasonable to expect that employment in deep-sea shipping will decline when the immediate postwar shipping crisis is over. In deep-sea shipping, the hours on duty of seamen are approximately

56 hours while at sea and 44 hours while in port. It has been estimated that approximately 43 percent of the time of these seamen is spent in port. The effect of the proposed overtime premium pay would be, therefore, a reduction from 56 to 40 hours while at sea and from 44 to 40 while in port, or in the alternative, overtime payments for the excess hours.

I believe that seamen should be brought under the minimum wage provisions of the act as proposed by S. 1349. Seamen's cash wages are relatively low, considering the skills involved and the general undesirability of the work away from home and all the comforts of home. On order of the Maritime War Emergency Board, the greatest part of war bonuses will be dropped on October 1, 1945. At the same time, basic wages for most unlicensed seamen in deep-sea shipping will be increased by $45 per month on directive of the National War Labor Board. The lowest rate of pay will then become approximately 55 cents per hour.

While our seamen are paid at a higher scale than other seamen of the world, I do not believe that their living standards, in comparison with other wage earners in this country, need be sacrificed to support the industry. If it is deemed desirable that we maintain a shipping industry, and on this our recent experience should give the clear answer, the cost of maintaining decent minimum wage standards in this industry should be borne at public expense. There is no reason why seamen should receive less than the minimum wage required for other workers engaged in commerce or in the production of goods for commerce.

The next question is whether the reasonable cost of board, lodging, and other facilities may be included in wages as is provided for other employees covered by the act, or whether it should be an addition to the minimum wage as provided for by S. 1349. There seem to be persuasive reasons for the latter course. It has been traditionally accepted that shipowners should provide subsistence for these men. Seamen live under inevitable restrictions while at sea and do not have the opportunities for utilizing their leisure in the same way that employees on land are able to. Moreover, many men maintain a home to return to and families. The slight savings in cost to the family in providing the meals for the breadwinner would appear to be more than compensated for by the relative discomforts and undesirability of the life.

It has been estimated for the purposes of the Social Security Act that the total monthly value of board and lodging is approximately $35 for an unlicensed seaman, with $13.50 allocated for lodging, and only $22.50 for the cost of furnishing meals. It would seem that this would be a small price to pay for the particular discomforts and dangers to which these men are subject. It may be worth while to consider using the term "seamen" which the courts have interpreted broadly under the Fair Labor Standards Act, instead of the phrase "member of the crew of a vessel" that is now used in the proposed section 3 (m), so as to avoid difficulties in interpretation and retain the positions developed by the divisions in administering the present section 13 (a) (3).

There is one other small point that I would like to call to the committee's attention, and that is that it seems to me that the amendment

also ought to cover seamen on a return voyage as well as on the outgoing voyage. Under the bill, only those seamen who are employed on a ship going away from the United States would be covered; and those same men, returning in the same ship, coming back would not. I think that was an inadvertent omission, which I wanted to call to the committee's attention, because obviously there should be uniform treatment whether the voyage is an outgoing or an incoming one.

It is my belief that the overtime premium pay provided for in section 7 should be treated in normal times as a substantially effective work-sharing device and that it was so intended by Congress. On that view, I raise the question whether it is wise as a matter of public policy to utilize this device, designed to result in work-sharing, in situations where it is unsound or impracticable to reduce hours of work. Deep-sea shipping accounts for the great majority of seamen now employed, and accounted for a substantial proportion employed as seamen in prewar years. While I do not see any reason why the hours of work for these seamen might not be reduced to 40 hours while in port, there may be serious obstacles to such reduction while at sea.

It would mean, in effect, substitution of a four-shift for three-shift operation while at sea, or overtime payments for 16 hours. On the technical problems that would be involved it may be well to obtain the views of the Maritime Commission.

My feeling on the matter of overtime coverage is that a great deal of detailed analysis would be needed to develop sound decisions on the feasibility and effects of such regulation on the various types of shipping. It will be recalled that union representatives appeared at committee hearings prior to the passage of the Fair Labor Standards Act to propose that they be exempt from the act. They were concerned to some degree with possible conflicts on jurisdiction between the Maritime Commission and the agency enforcing the act. This question also needs careful analysis.

With the $45 a month increase recently directed by the War Labor Board, the effect of increasing the pay of seamen in deep-sea shipping to a 65-cent minimum wage would represent a direct increase of, roughly, 3 percent in the basic pay roll for the ship's crew. The reduction of hours to 40 while in port could probably be effected without any increase in cost to the industry since it could probably be handled by more efficient utilization of men. The net burden to be imposed immediately on the industry would not seem to be very great if the minimum wage but not the overtime provisions of the act are applied to seamen. While a decline in the industry's economic position would, it is true, increase the cost burden imposed by minimum wage regulation, to be borne by the industry or through subsidies, the need of the seamen for this protection under such circumstances is apparent.

Senator ELLENDER. How could the union be affected, Mr. Walling?

Mr. WALLING. Their original desire was like that of the railway brotherhoods, as I understand it, to be outside the overtime coverage of the act. Now, I presume from what I have been told that they have changed their minds on that point, but I think the committee should ascertain that definitely.

Senator ELLENDER. Don't you think that the rate of pay fixed in the present law has somewhat tempered their views?

Mr. WALLING. You mean the increase in the minimum?

Senator ELLENDER. Yes.

Mr. WALLING. I don't know, particularly, why that would affect one way or the other their views on overtime.

Section 13 (b) (1) of the Fair Labor Standards Act now provides an exemption from the overtime provisions of the act for any employee with respect to whom the Interstate Commerce Commission has power to establish qualifications and maximum hours of service pursuant to the provisions of section 204 of the Motor Carrier Act of 1935. Under the provisions of this act the ICC has indicated that it has authority to establish qualifications and maximum hours of service for drivers, drivers' helpers (including conductorettes on busses and armed guards in armored trucks), loaders, and mechanics. The Commission has, however, actually established maximum hours of service only for drivers and drivers' helpers. One provision of S. 1349 now proposes to limit the exemption from the overtime provisions for employees who during the greater part of the workweek are engaged in work with respect to which the ICC has established qualifications and maximum hours of service. The effect of this proposal would therefore be to eliminate the exemption for mechanics, loaders, and such other occupations as the ICC may from time to time declare within its authority, or to require that the Commission actually establish maximum hours of service for such employees.

The amendment would therefore serve to eliminate what is now "no man's land" between the two acts: employees who are neither subject to the Fair Labor Standards Act nor to the limitation of hours of work by the ICC. It should be regarded therefore as a step in the right direction. I do not believe, however, that it is a basic solution to the problem. At the present time, the exemption under section 13 (b) (1) of the act is treated as though the provisions of section 7 (a) are inconsistent with ICC control. As a matter of fact, these provisions are complementary rather than conflicting. The purpose of the Fair Labor Standards Act is to make 40 hours a normal workweek through imposition of the time and one-half penalty for hours beyond that workweek. The purpose of the control of hours of service, on the other hand, under the Motor Carrier Act, is to place a flat prohibition on excessive hours of work which may affect the safety of the drivers and the public. This is clearly brought out by the fact that the ICC has established a flat limit of 60 hours a week under the provisions of the Motor Carrier Act. Certainly no one can argue that this represents any desirable norm in hours of work. It expressly represents the point beyond which highway safety is endangered. It would therefore seem quite appropriate to cover motor-carrier employees under section 7 of the Fair Labor Standards Act and to continue the control of the Interstate Commerce Commission over excessive hours of work affecting safety of highway transportation.

In the absence, however, of a basic solution to the problem along the lines I have suggested, I believe the provisions of S. 1349 should be endorsed as a step in the right direction.

Child labor: The bill proposes to add to section 12 of the act the requirement that oppressive child labor shall not be employed in, or about, or in connection with, any enterprise in the United States in

which an employer is engaged in commerce or in the production of goods for commerce. The present language of section 12 merely restricts the shipment or delivery for shipment in commerce of goods which were produced in an establishment in or or about which any oppressive child labor had been employed within 30 days prior to the removal of such goods. Under the proposed revision in the bill, child labor coverage of the act would be extended to the coverage of the minimum wage provisions as well as to all activities exempt from the minimum wage provisions by section 13 of the act. The present definition of "oppressive child labor"—the employment of children under the age of 16 years generally and under the age of 18 years in occupations found to be hazardous—has not been changed by S. 1349.

I hesitate to comment in detail on this provision of the bill, since my responsibility as Administrator is restricted to the administration of the minimum wage and overtime provisions, although the Division does cooperate with the Children's Bureau in making inspections to determine violation of the child-labor provisions. I should like, nevertheless, to take this opportunity to endorse this provision of the bill. It hardly seems to me that anyone could oppose the extension of child-labor protection to the full extent of Federal authority. With the war ended, and with millions of veterans returning from overseas to seek employment, and other millions no longer needed in the production of munitions, one can hardly justify the employment of children. We have an ample labor supply and, indeed, we may find it difficult to provide jobs for all adult workers. If we are to develop our youth to assume their proper roles in a democratic society, they should be kept in school and not in the fields and factories.

Senator SMITH. Might I ask a question there?

Mr. WALLING. Certainly.

Senator SMITH. I gather that you interpret the minimum wage, as applied to child labor, has a tendency toward eliminating child labor entirely; is that correct?

Mr. WALLING. Well, of course the great bulk of the children in interstate occupations are now prohibited from employment under the age of 16, and in the case of hazardous occupations, under the age of 18. This amendment here is a technical one to fill in some chinks which now result in exemption for certain children because of the different wording of the child labor provisions of the law from the minimum wage and overtime provisions, and it would serve to make them uniform.

Senator ELLENDER. How does this new proposal fit in with the present law with respect to employment of children on farms owned by their own parents?

Mr. WALLING. There is no change.

S. 1349 proposes, in substance, the following changes in the minimum wage provisions of the act:

(*a*) A new statutory minimum of 65 cents an hour.

(*b*) A statutory minimum of 75 cents an hour to be reached 2 years from the effective date of the act by increases of 5 cents per year.

(*c*) Provision for reaching the 75-cent objective prior to the 2-year date through industry committee machinery.

(*d*) Provision for the establishment of minimum differentials for skilled-job classifications through the use of industry committees.

I shall discuss each of these proposed changes in turn.

First of all, the new statutory minimum of 65 cents.

S. 1349 provides for an increase in the statutory minimum from 40 to 65 cents, effective 120 days after the passage of that bill.

I believe that there can be no question but that a substantial increase should be made in the present minimum under the Fair Labor Standards Act. In the light of the marked upward movement in hourly earnings over the war period, marginal indeed are the workers who are in any real sense protected by the present 40-cent minimum. Industry's capacity to produce in abundance the goods necessary for a higher standard of living has been amply demonstrated by its remarkable war effort. Industrial facilities adaptable to our peacetime economy have been developed and strengthened. New techniques and new skills can be directed to the achievement of a national income and living standard far beyond our prewar levels.

Millions of wage earners have been able to manage during the war period only by working long hours for which pay was received at overtime rates. With a reduction to 40 hours from a typical wartime 48-hour workweek, an increase of 30 percent in the hourly rate is required to maintain the previous take-home pay.

Senator ELLENDER. Do you mean by that a 30 percent increase from the legal rate?

Mr. WALLING. No; from the hourly rate of pay to offset the reduction in overtime pay.

Senator ELLENDER. Where did you obtain your 30 percent figure?

Mr. WALLING. By taking a 48-hour week, which we assume for purposes of discussion is a typical wartime week—of course there are longer weeks and shorter weeks—and reduce it to 40 hours. I am merely pointing out that the mathematical effect of that is, in the absence of that 8 hours' straight time, plus overtime pay, to require an increase of 30 percent to equal previous take-home pay for the week.

Senator ELLENDER. Is this 30 percent suggestion that you speak of based on a 65-cent minimum?

Mr. WALLING. I am not suggesting this as a goal or talking in terms of any particular hourly rate. I am merely pointing out what the effect of the shorter workweek is, in general terms, without regard to any rate of pay, because the percentage would be the same. I am merely suggesting that with the shorter workweek the individual workman is going to need a 30 percent pay increase if he is going to have the same amount in his pocket when he goes home at the end of the week.

Now it is, I think, for the committee to decide whether that reduction in take-home pay should be compensated in whole or in part.

Senator ELLENDER. Well, do you think it is going to be possible, Mr. Walling, for industry to maintain the take-home pay that has been afforded during the war?

Mr. WALLING. I didn't understand the question.

Senator ELLENDER. I say, do you think it is possible for industry to continue to give full employment, as we did during the war, and afford the same take-home pay as was made available to labor during the war?

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Mr. WALLING. Well, if I had the clear answer to that question I could settle all the threatened strikes and the present strikes. I am not discussing that point here at all, Senator. I am merely suggesting that there is a decrease in pay inevitably involved in a reduction in hours from an overtime workweek to a straight time workweek of 40 hours. I am not suggesting whether that gap should be completely filled or not because that is a question I think quite outside the problem of raising the minimum wage. I am merely pointing out that we do face a problem now which we must take into account in our consideration of policy, and that is the fact that there is actually a reduction of pay involved for people whose workweek is shortened from 48 hours to 40 hours, and that that has some bearing on the question of their minimum wage and take-home pay, on which they will base their standard of living. I am just making that as a general comment without a specific reference to any minimum hourly rate of pay.

Mr. SMITH. You mean that we have stopped working 48 hours and gone down to a supposedly 40-hour week, and obviously that is 8 hours less?

Mr. WALLING. Plus the overtime.

Mr. SMITH. Yes. Formerly we had 52 hours of pay, counting the overtime, for 48 hours.

Mr. WALLING. That is right.

Mr. SMITH. Now, if they are going to get the same take-home pay it would mean 52 hours' pay for 40 hours of work?

Mr. WALLING. Which would be a 30-percent increase.

Mr. SMITH. You are not arguing for or against it, as I understand it?

Mr. WALLING. No; I am just stating that as a fact.

Mr. SMITH. And that also is reflected in a minimum wage because if a person is only working 40 hours a week there is 8 hours less to add to his take-home pay?

Mr. WALLING. That is right.

Senator ELLENDER. Would the enactment of this law cause this 30 percent increase that you are talking about?

Mr. WALLING. You mean the change from 40 to 65 cents?

Senator ELLENDER. Well, we have three increases in 3 years; we have 65 cents, we have 70 cents, and we have 75 cents.

Mr. WALLING. Well, doing the arithmetic very quickly in my head, and I hope correctly, that would be more than a 30-percent increase in the statutory rate of pay. But as was pointed out at the hearings last week, the actual rate of pay is considerably in excess of the statutory 40 cents. So that in gaging the economic effect of any of these proposed rates—65 or 70 or 75 cents—you have to gage it in terms of what people are actually receiving, which is in excess of the statutory minimum, not in terms of that statutory minimum itself, because so few workers are receiving the rock-bottom minimum of 40 cents at the present time.

Senator ELLENDER. Mr. Walling, do you think that the proposed increases are reasonable?

Mr. WALLING. I would like to develop in a little more detail my whole attitude on this thing. I am going to point out in just a minute that it would take pretty nearly 55 cents, for instance, to put us where we thought we were getting back in 1938 when the Congress legislated 40 cents.

Senator ELLENDER. That was because of the war?

Mr. WALLING. That is because of the change in the cost of living, among other things.

Senator ELLENDER. Of course— caused by the war?

Mr. WALLING. I suppose that that is the major reason for it; yes.

Senator ELLENDER. Certainly there is no doubt about that. I am glad you admit it. You say you are going to develop that later?

Mr. WALLING. I would like to comment on that at some length, if I may, to make my position absolutely clear.

Senator ELLENDER. And you have included that in your paper, have you?

Mr. WALLING. Yes, I have; and if I haven't covered it adequately will you raise the question again at the end of my statement?

Senator TUNNELL. Your argument is the same regardless of what the cause is?

Mr. WALLING. Yes; and I am merely stating the inevitable effect which covers the dollar-an-hour man or the $2.50-an-hour man as much at the 40-cents-an-hour man.

Senator ELLENDER. In view of your affirmative answer to Senator Tunnell's inquiry, let me ask this question of you. If, during the war, with full employment, we were unable to raise the minimum hourly wage from 40 cents to more than 55 cents, how in the name of common sense do you expect to raise it from 55 cents, which is now fixed by the War Labor Board, I think, to 75 cents in the space of 3 years?

Mr. WALLING. When you say "unable to raise" it, do you mean to raise it by operation of law, or by operation of economic forces?

Senator ELLENDER. Of course I mean by the operation of economic forces. If you get enough Members of the Senate to vote for the bill as it is—it is very appealing and they might vote that way—but I am thinking of the economic angle of it. I will say this to you, that I was a member of the committee when the present law was considered—in fact I have been a member of this committee since I came to the Senate in 1937—and I was a member of the conference when the act was considered by the Senate and the House conferees.

Mr. WALLING. Yes; I recall.

Senator ELLENDER. At that time many Congressmen took the position that although 40 cents was not the goal that should be written into the bill, yet it was a good start, and they agreed to it. But the Congress as a whole, as I recall it, knew that it would be fatal to some industries if we should increase the minimum wage abruptly. So we agreed to start off at 25 cents for the first year, 30 cents the second year, and then allow a 6-year span before we made it 40 cents.

Now, here, as I have just indicated, during the war we were unable to raise the minimum to more than 55 cents because of certain economic conditions existing, as explained by Mr. Davis, and which I am not going to go over now, but you are now attempting to write into the law an increase from our present fixed minimum of 55 cents to a minimum of 75 cents in the space of 3 years. Well, if Congress thought the way it did at that time, I am wondering how you feel about it now, not from a legal standpoint, but bearing in mind the economics of it, as you put it?

Mr. WALLING. Well, of course it is a question of congressional judgment as to the timing of that—how speedy the process should be.

I would like to raise this question with regard to your assumption of 55 cents. The 55-cent figure is a permissive figure which the War Labor Board has allowed increases to without specific approval from the Board. I don't know that we can say that that is, in fact, the minimum, because there are many thousands of workers, hundreds of thousands of them, who are being paid more than the minimum of 55 cents. So in the first place I think the premise is somewhat questionable.

Now as to the rate of progress, I think that the committee might very well give consideration to the possibility of providing for the increase from the basic minimum, of 65 cents, up to 75 cents, through industry committee action, setting, as has been done in the act itself, an ultimate goal and an ultimate period, but allowing, as we have been operating since 1938, for the appointment of industry committees which will recommend wages between the minimum established and the ultimate goal, over a period of time. That meets, I think, the objection which you and many other Members of Congress have, that you freeze the situation, you require action too quickly and you don't give individual industries an opportunity to present their particular case.

Now, the success of the administrative procedure involved in the industry committees is that you do give an oportunity for a particular industry, represented by its management and the employees, with the general public also added, to time the period during which you reach the ultimate goal, and to take into account whatever particular problems that industry may have, because if we are realistic about this whole question we have to recognize that there are certain industries which are going to be much more seriously affected than others.

There are certain industries whose wage scale comes much closer, on the minimum basis, to these rates which we are talking about, than other industries which will not be affected in the slightest degree even by a present minimum wage of 75 cents. And that suggestion gives an opportunity for those industries who will be the most directly affected to give special consideration to their particular situation and to make a recommendation in accordance with their economic capacity to pay, and with the statutory obligation not to curtail substantially employment opportunities.

Senator ELLENDER. Well, I would much prefer that we write it into the law rather than to permit any of these industry committees to do so because I remember what happened when the first act was put on the statute books. Within 6 months after the 30-cent minimum was reached, there was a movement to increase it immediately to 40 cents, and some of the committees were fairly successful at it as to some industries. With the South producing 80 percent of the textile goods of the country, as I recall the figures, we had from that section but two or three representatives out of about 50. So that the South was snowed under, as it were, and if it hadn't been for the impact of the then impending war in Europe in 1939, I don't know what the result would have been. My guess is that many textile mills would have closed.

Mr. WALLING. Well, although I didn't appoint that first Cotton Textile Committee, my recollection is that it did not comprise as many members as 50, and that naturally the employer representation, in accordance with the law, has to be balanced with the employee representation and the public representation.

Now, I take it from what you say, Senator, that you favor the more rigid application of the bill at present than to have the administrative procedure of the industry committee, which is a perfectly justifiable position. That is the position which the bill takes. I am merely throwing that out as an alternative suggestion in response to your inquiry which I thought was based on a feeling of need for more flexibility.

Senator ELLENDER. You say that you are going to discuss for us in your statement the reason why you think that it is feasible to raise the present legal minimum of 40 cents to 75 cents, in the space of 3 years?

Mr. WALLING. Suppose I complete my statement and you may interrupt me at any time, or question me at the end of it, if you don't feel satisfied.

Senator TUNNELL. We have a half hour to hear the remainder of your remarks.

Mr. WALLING. I am very sorry to have had to go into such detail about this, and to make such a long statement, but in view of the committee's request that I provide certain information, and in view of the highly technical aspects of these amendments, I felt that I owed it to the committee to explain the situation at some length. I recognize that it is unduly long.

Senator TUNNELL. I am not criticizing you—I realize that there is another day.

Mr. WALLING. Organized workers may be able to obtain compensating adjustments in hourly rates of pay, to offset this loss of overtime, but this possibility is frequently not open to the unorganized workers, particularly in industries that traditionally pay low wages.

Since 1938 the dollar has sharply declined in purchasing power so that in real wages a 40-cent minimum represents markedly less than when the Fair Labor Standards Act became effective. The increases in prices and the cost of living occasioned by our intensified defense preparations in 1941 and our subsequent active participation in the war have cancelled out, in terms of real wages, the increase in the minimum from 30 to 40 cents, which was achieved for all covered workers in the continental United States by July 17, 1944, through the industry committee program set-up under the act.

Since Congress intended that the 40-cent minimum should be universally effective in the continental United States by the end of this year, one obvious approach to the question of determining what the new minimum wage level should be is to adjust the 40-cent rate to reflect the rise in living costs since the passage of the act. At the present level of the cost of living, it appears that a minimum of about 55 cents would be required to restore in real wages what 40 cents was intended by Congress in 1938 to provide.

This data is based upon Bureau of Labor Statistics figures of the cost-of-living index in large cities, adjusted.

I believe, however, that we should look beyond the real wage objective in 1938 toward a new standard more nearly in accord with our American standard of living. There is no indication that Congress in 1938 believed that a 40-cent minimum should represent the final goal for all time in Federal minimum-wage policy. That minimum represented, rather, a reasonable beginning towards the ultimate goal: "a minimum standard of living necessary for health, efficiency, and

well-being of workers." Since 1938 the country has demonstrated its capacity to produce a national income far beyond the prewar levels. The Bureau of Labor Statistics estimates that the productivity per man-hour in manufacturing—the largest industrial segment covered by the act—will be between 40 and 50 percent higher in 1940 than in 1938. These increases, together with our governmental policy directed towards a full employment program, strongly suggest that we can now consider further steps toward the objective for achieving for each worker a minimum necessary for health, efficiency, and general well-being. S. 1349 proposes that this objective be 65 cents immediately and 75 cents within 2 years after the passage of the bill.

The effect of the immediate 65-cent minimum proposed in S. 1349 and of the various possible minima below that figure may be roughly indicated by wage information which the Bureau of Labor Statistics has already supplied for the manufacturing industries which encompass a majority of the employees protected by the act.

If the budgetary approach is used in determining what the ultimate minimum wage objective should be, the question becomes one of ascertaining the hourly rate that expresses in monetary terms the minimum wage actually required to insure an acceptable minimum standard of living.

Although this budgetary approach might seem in some ways the most objective basis for determining a concrete goal, there are a number of serious difficulties in this approach, including: which budgetary level to adopt—that is, the emergency, subsistence, maintenance, health-and-well-being, or some other basis; the number of persons provided for—that is, a single worker or a family of any particular size; the area involved—the average cost for the country as a whole, or the lowest city; and so on. A further problem arises from the fact that there have been no comprehensive studies on a budgetary basis since 1935–36.

Because of these difficulties, I am inclined to doubt whether the ultimate minimum wage objective to be achieved by present revision of the act can, for practical purposes, be related to any particular budget, and that in consequence it seems preferable for the Congress to specify the wage rate which will reflect its judgement as to what our economy may be able to afford during the next few years without substantial increases in prices or curtailment of employment.

Senator SMITH. I would like to emphasize that. Isn't that the big issue in this whole discussion?

Mr. WALLING. I think so.

Senator SMITH. I think that that is the essence of it.

Mr. WALLING. I think so.

On this basis, it seems clear to me that the 75-cent minimum proposed by S. 1349 would not exceed our potentialities of the near future or go beyond any reasonable estimate of a minimum necessary for an American standard of living.

Senator ELLENDER. That is what I have been trying to collect figures on. As I recall it, Mr. Hinrichs appeared here and painted a beautiful picture as to what excellent conditions would prevail in each American family by making available to it a minimum of $1,700 or $1,800 or $1,900, but his studies were confined to those groups. Are you prepared to tell us to what extent it will affect other groups?

Mr. WALLING. I think the Office of Price Administration, which has that responsibility, would be in a much better position than I am.

Senator TUNNELL. Your testimony is confined to procedure, isn't it?

Mr. WALLING. Yes.

Senator SMITH. I was interested in this witness stating what seemed to me from the beginning is the essence of this problem. We all desire the finest standards of living for everybody, but what can we do without having inflation on the one hand, or curtailment of employment on the other?

Mr. WALLING. That is the whole problem.

Senator ELLENDER. Are you prepared to answer that?

Mr. WALLING. No, I think that is an economic question. I would be presumptuous to attempt to interpret the position of the Office of Price Administration as to what the effect on prices would be. I think the committee should consult that office for a statement on that situation.

Senator ELLENDER. As I recall it, one of the chief opponents to a greater rise than to a 55 cents minimum or to a breach of the Little Steel Formula was Mr. Bowles, and his reason for it was that by raising wages it would have the effect of raising the cost of living all along the line, and it would be necessary then to revise all prices upward.

Mr. WALLING. Well, I didn't happen to see his testimony but I certainly don't intend to dispute what he said because he is in a position to know.

SENATOR ELLENDER: Well, assuming that he did infer that how can you say here—I think you have indicated previously or maybe it was some other witness—that it wouldn't appreciably increase the cost of living? How can you argue that if, during the war, as I have just indicated, the minimum wage was raised to only 55 cents—and the reason it was not raised to more than that was because of the effect on our price structures—you can now propose to raise the minimum hourly wage from 55 to 75 cents in three years? I am just wondering whether it takes a mathematician, an economist, or a man with any more than good old common horse sense to see that it can't be done unless the price of living, or the cost of living is considerably increased?

MR. WALLING: Senator Ellender, I didn't make the statement, I don't think, and I certainly didn't intend to, that this would not result in an increase in the cost of living, or that it would. I haven't made any statement on that point at all.

Senator ELLENDER. I said either you or somebody else had made it.

Mr. WALLING. It must have been somebody else.

Senator ELLENDER. Very well then, what would be your view on the subject?

Mr. WALLING. I think that you can obtain much more authoritative information on the effect on the cost of living, from other sources, than from the Wage and Hour Division, because we do not have the facilities and we haven't been authorized by the Congress to make such studies, and it is outside our scope. And any statement I might make on that would not be helpful in any degree. I am merely trying to analyze the administrative angles to this proposal and to suggest what has happened to the goal which we thought we were legislating

back in 1938, what it now takes in terms of cost of living which everybody recognizes to be a certain figure, at least that figure, and——

Senator ELLENDER (interposing). I hope somebody can present that information to us. When our distinguished Secretary of Labor was on the stand he said he hadn't made a study of it but that he depended on the good judgment of those who introduced the bill, and he argued that since they thought that 65 cents to 75 cents were the correct figures, that he had so much confidence in them that he agreed with them.

Now, that is not your position, is it?

Mr. WALLING. Well, I haven't made any statement on that point at all. I am merely attempting to——

Senator ELLENDER (interposing). I would like to ask you just as an individual—you have had enough experience while you have been connected with your work to be able to tell us—whether or not there would be an increase and to what extent in your judgment there would be an increase?

Mr. WALLING. I take it, from what you quote Mr. Bowles as having said, that he feels there would be an increase in prices if the minimum is raised. I certainly am not in a position to challenge that statement, because he has information which is not available to me.

A minimum wage as high as 75 cents raises a number of serious questions with respect to prices, effect on employment, productivity, profits, and so forth, for individual industries and for the various branches thereof, concerning which adequate information is not now available to furnish an over-all judgment for all industries and for the country as a whole. Information on these points can be obtained in the course of time, however, and, added to the intimate knowledge of the industry which labor and employer representatives have, could furnish an adequate basis for industry committee recommendations and wage orders. I believe that industry committee action would be a more satisfactory means of progressing toward the defined ultimate goal from the 65¢ statutory minimum than would the automatic progression steps provided for by S. 1349.

Senator ELLENDER. Mr. Walling, I am sorry to interrupt you but I have just now received a telegraph message from a constituent in Louisiana by the name of Will Houchbaum of the Alexandria Steam Laundry, Alexandria, La., reading as follows:

> Understand Administrator Walling now testifying concerning wage-hour amendment and requests authority to make final interpretations of the Act. Will you ask him reasons for his interpretation which holds that laundries doing work for restaurants, hotels and others are covered by the Act despite section 13 (a) (2) exempting service establishments? He has expressly admitted to Congressman Hartley in letters of July 2, 1942, and February 1943 that he believes Congress intended all laundries to be exempt and that the contrary interpretation was made by his predecessor. This disregard for Congressional intent has encouraged many workers to bring unwarranted court action and has caused the entire laundry industry great expense and embarrassment. Will you ask him why he retains an official interpretation which he himself admits violates the intent of Congress?

Mr. WALLING. The answer to that is short. I don't. I will be glad to supply for the committee a record of the position which we have taken based on the decision of the sixth circuit court of appeals in the Lonas case, which held that that type of laundry establishment was entitled to the exemption provided in the act, and I announced, following that decision, that until that was overturned we would observe that interpretation.

(The administrative statement reads as follows:) I will be very glad to write your constituent to that effect if you will let me have his name.

UNITED STATES DEPARTMENT OF LABOR

WAGE AND HOUR DIVISION

New York 19, N. Y.

ADMINISTRATIVE STATEMENT ON WAGE-HOUR ENFORCEMENT POLICY FOR LAUNDRIES AND LINEN SUPPLY COMPANIES

I announced that pending a decision by the United States Supreme Court indicating the scope of the section 13 (a) (2) exemption from the Wage-Hour Act, no enforcement proceedings under the act would be instituted by the Division against laundries and linen supply firms operating primarily in intrastate commerce (Release R–1995). This administrative policy was based largely on the decision of the circuit court of appeals for the Sixth Circuit in the case of *Lonas* v. *National Linen Service Corp.* and on varying interpretations of the section 13 (a) (2) exemptions by the courts.

In view of the fact that the United States Supreme Court has denied certiorari in the Lonas case, I have decided to continue the divisions' policy of not instituting enforcement proceedings under the Fair Labor Standards Act against laundries and linen supply firms the greater part of whose servicing is in intrastate commerce, unless the Supreme Court later should decide that the exemption is inapplicable to establishments serving commercial and industrial customers. This policy will not apply to a laundry establishment performing any operation on goods in the process of manufacture.

Other circuit courts of appeals have indicated that the section 13 (a) (2) exemption does not apply to establishments engaged in work for commercial and industrial customers. (*Guess* v. *Montague*, C. C. A. 4; *Walling* v. *Sondock*, C. C. A. 5; *Walling* v. *Kirschbaum*, C. C. A. 3.) In view of these decisions the Division will adhere to its general position with respect to service establishments other than laundries and linen supply firms as expressed in Interpretative Bulletin No. 6. Therefore, the enforcement policy announced in this release is limited to laundries and linen supply firms only.

L. METCALFE WALLING, *Administrator.*

NOVEMBER 25, 1943.

Mr. WALLING. While necessarily somewhat slower, the industry committees do insure the participation of the affected parties, as well as the public, and provide a mechanism to speed up or slow down the increase in wages as different industries can support them. Any scheme of automatic progression might be too slow for some industries and might result, in others, not only in the curtailment of employment, but also in failure to produce needed goods. Since avoidance of curtailment of employment is a basic aim set forth in the act—and retained in S. 1349—it would seem that the best guaranty against action contrary to this objective would be to have the tripartite machinery—employers, labor, and public representatives—study the situation in each industry before increases are put into effect.

This implies, of course, the recommendation that a definite date after a reasonable period be set in the amendment for automatic achievement of the final minimum wage objective regardless of industry committee action. I feel, however, that with the experience we have had in the industry committee technique, rapid progress can be made toward the ultimate goal proposed in the bill, and I think it would be well to make clear that as of a certain date, regardless of industry committee action, the ultimate statutory goal should be reached,

in other words, a repetition of the same machinery that we have been using in raising the minimum wage from 25 to 40 cents.

There can be no question but that a minimum wage of 65 cents would go a long way toward accomplishing the purposes of the act. In the establishment of the new minimum, the committee has already consulted the price control authorities of the Government as to the effect on prices. In making that last statement I assume that Mr. Bowles has already presented a statement to the committee. If he has not, that will be done, presumably, later on.

I want to talk for a minute about the special minimum wage provisions for Puerto Rico and the Virgin Islands.

The minimum wage recommendations I have made heretofore are not intended to apply to Puerto Rico or the Virgin Islands. In recognition of the critical economic problems existing in these two areas, the act was amended on June 26, 1940, to permit the establishment by special industry committee and wage order action of minimum rates less than 30 cents an hour where necessary. The amendment likewise provided that the wage orders established in those two areas would not automaticaly expire on October 24, 1945, but would remain at their previous level until revised by subsequent wage order action.

S. 1349, while retaining the special industry committee procedure provided under section 5 of the present act, eliminates—I believe through inadvertence—that part of section 6 which permits the establishment of lower rates in Puerto Rico and the Virgin Islands than in other parts of the United States. I am convinced that it would be unwise to abandon this separate treatment, the need for which was clearly demonstrated at the time of the 1940 amendment. Any amendment should also permit the wage orders now in effect in these two areas to stand, but subject, of course, to future industry committee action.

In addition, I believe that serious consideration for separate treatment should be given to the Pacific islands, other than Hawaii, which we now hold or may eventually acquire. Application to Guam, Samoa, and other such areas of the minimum rates established for the continental United States might destroy the major part of their economy. If these islands are to be retained under the coverage of the act, provisions similar to those for Puerto Rico and the Virgin Islands should be incorporated in the amendment, with the further provision that the effective date of the basic minimum should be delayed at least 1 year after passage of the amendment. This would allow time for the convening of industry committees to consider what wage rate orders would be economically feasible.

Senator ELLENDER. From your suggestion about Guam and other places, you have evidently made a study of that?

Mr. WALLING. No; but I will take, as the courts say, judicial notice of the fact that the wage conditions in those remote islands are undoubtedly quite different from those in continental United States.

Senator ELLENDER. Are you prepared to say that such a situation would not prevail in parts of continental United States?

Mr. WALLING. Yes; and the act, of course, clearly proceeds on the theory that you treat only Puerto Rico and the Virgin Islands separately.

Senator ELLENDER. For instance, you advocate that it would destroy the economy of Guam, Samoa, and other places.

Mr. WALLING. I say it might.

Senator ELLENDER. All right. You say that you have just taken judicial notice of that. Now have you studied the effect of this increase as to all parts of the United States?

Mr. WALLING. As to all parts of the United States?

Senator ELLENDER. Yes; that is continental United States, I mean.

Mr. WALLING. Well, I think that the testimony which Mr. Hinrichs gave on the number of employees who would be affected by the proposed change in rate is the information which you request.

Senator ELLENDER. He didn't give any testimony on that, as I recall. He relegated his testimony to the good that would follow by paying employees higher wages and by getting them more per month, and when I asked him the question as to what effect it would have on our economy or to other groups, he wasn't prepared to say, and he hadn't made a study of it. I am asking you that question.

Mr. WALLING. My recollection is that he put into the record the number of employees now receiving less than 55 cents an hour, less than 60 cents, and less than 65 cents, and so on, in manufacturing industries, which is the only information available. We do not have precise information available for other than manufacturing industries.

Senator ELLENDER. Well, I placed in the record last Tuesday a statement from the Labor Department showing that 58 percent of those engaged in the tobacco industry were not at this time receiving 65 cents per hour, and that 54 percent were not receiving 65 cents in the lumber industry. Now if that be true what effect do you think this sudden impact will have upon these industries of going from 65 to 75 cents per hour in 3 years?

Mr. WALLING. I have here, if the committee is interested and doesn't already have it, a table showing various industries which would be affected in the manufacturing field by the proposed rates, at different levels, that is, showing how many employees in each of those industries are now receiving less than the various proposals. In the tobacco industry, as you pointed out, 45,000 are now receiving less than 65 cents.

Senator ELLENDER. What percentage of the industry is that? My figures were taken from the Bureau of Labor Statistics.

Mr. WALLING. That is where these come from, so we are talking about the same table.

Senator ELLENDER. What is it percentagewise, do you know?

Mr. WALLING. Fifty-eight percent, as you stated.

Senator ELLENDER. In other words, the 45,000 that you referred to represents 58 percent of the tobacco industry, is that correct?

Mr. WALLING. That is correct.

Senator ELLENDER. Now if that figure be true—and let us say that the same percentage that I quoted prevails with respect to the lumber industry, which I believe was 54 percent——

Mr. WALLING (interposing). That is right——

Senator TUNNELL (interposing). I would like to ask whether those figures include the growers of tobacco or just the processers?

Mr. WALLING. Just the manufacturers.

Senator ELLENDER. How many are covered in the lumber industry? You have given us 45,000 in the tobacco industry.

Mr. WALLING. 240,000, representing 54 percent, are getting less than 65 cents.

Those are, of course, two of the industries which will be most immediately affected, and it is for that reason that I pointed out to the committee the desirability of at least considering the industry committee procedure for raising those employees above the statutory minimum which the committee writes into the bill, so that consideration can be given to their special problems.

Senator ELLENDER. Textiles—47 percent; wearing apparel—38 percent. To follow through with the question I was about to ask when interrupted by our distinguished chairman, "what effect would it have on those industries to raise their minimum wage to 65 cents, as provided in the bill, the first year, and then to 75 cents in the period of three years?

Mr. WALLING. Well, I think that the employers in those industries, and the employees in those industries, are in a better situation to tell you whether and to what extent and how they could absorb that increase in cost.

Senator ELLENDER. Well, we will hear some of them here next week, and all of them will tell us, I am sure, that they can't do it, and I am certain they can back their judgment with facts. What effect would that have on your voting, if you were a Senator? What would you say about it? Would you rather follow those to be benefited or to those to be affected by the bill? I know it is most appealing to help the underdog.

Mr. WALLING. Well, if the Senator insists on my replying to the question I should say that I would exercise my own judgment as a Senator.

Senator ELLENDER. I wish that would prevail more in Congress.

Senator TUNNELL. I wonder if you would state again the number in the lumber business getting less than 65 cents?

Mr. WALLING. There are 240,000 getting less than 65 cents.

Senator TUNNELL. Thank you.

Mr. WALLING. That is again in manufacturing, not in the timbering operation, Senator.

Senator ELLENDER. On wearing apparel, it would affect 300,000.

Mr. WALLING. That is correct, which is 38 percent.

Senator ELLENDER. And in furniture it would affect 120,000; in electrical equipment it would affect 145,000; and in foods it would affect 280,000. Now, Mr. Walling, isn't it apparent to you that if Congress should by law force that sudden change on these industries it would seriously affect them?

Mr. WALLING. I think that the committee ought to bear in mind that the percentage of employees receiving less than the original minimum of 25 cents, in the case of these very same industries, was very high. A great many workers in those industries received considerably less than 25 cents an hour when that became effective in 1938, and I take it that it was for that reason, because their living standard was one below which good conscience could permit, that this law was originally enacted. Three hundred thousand workers had pay increases when the 25-cent minimum became effective and 650,000 a year later when the minimum was raised to 30 cents.

Senator ELLENDER. All that is true, but at that time, when wages were increased, they raised the price of their commodities. Now it is impossible to do that because of the OPA statute, which remains in effect until June 30 of next year, I believe it is. It may be and I hope it is that Congress will reenact the Price Control Act. I think it will be necessary. Assuming that it does, how do you think industry will be able to maintain itself unless it increases its prices in order to meet these increased wages?

Mr. WALLING. Well, I think there are two comments in answer to that question. First of all, we ought to analyze very carefully what, if any, price increases were actually instituted as a result of the industry committee recommendations. Secondly, may I point out that a great many of these very same industries that we are talking about were almost as seriously affected by the industry committee wage recommendation as would be affected by the proposal now.

In the apparel industry, for instance, which you mentioned, 200,000 workers were getting less than the recommendation of the apparel committee, and those employees all had to have their wages raised, as would be the case in the proposal we now have before us.

When the statutory minimum of 30 cents was changed to 40 cents under the wage-order program, 313,000 workers directly benefited through a wage increase during the fiscal year 1940, 638,000 in 1941, 805,000 in 1942, 278,000 in 1943, and 609,000 in the 13 months ending July 1944. In all, approximately 2,700,000 individual pay increases resulted directly from the wage-order program affecting nearly 1,700,000 workers. These figures, moreover, do not include the higher paid workers who benefited indirectly through adjustment of industry wage structures in the upper brackets to preserve in whole or in part the occupational differentials previously existing nor do they include the untold thousands of employees not covered by the act but whose rates were favorably affected by the minima established for covered workers. Furthermore, it is evident from the figures that these wage gains were not achieved at the expense of profits which after taxes in the case of corporations rose from 1939 to 1943 from $4,088,000,000 to nearly $9,000,000,000 and before taxes from $5,320,000,000 to $22,817,000,000. There was, of course, accompanying this a large increase in production and employment. Considering the manufacturing industries alone, corporate profits after taxes during this period increased from $2,579,000,000 to over $5,500,000,000 and before taxes from $3,213,000,000 to approximately $14,500,000,000. Each of the major manufacturing groups shared in this increase though naturally some to a lesser and some to a greater extent.

I can not, of course, estimate to what extent the Fair Labor Standards Act was responsible for these developments, but I can confidently say that the establishment of a 40-cent minimum wage under the Act did not during this period in any way adversely affect our economy as a whole even though there may have been some marginal producers who had difficulty in adjusting to the wage orders. I think it is doubtful that the normal mortality rate of inefficient and uneconomic enterprise was increased to any significant degree.

Senator ELLENDER: Mr. Walling, I am sure that you have a record in your office of those various industries that were affected back in 1938 by those increases?

Mr. WALLING. Yes; this document I am reading from now is the increases by industry committee action.

Senator ELLENDER. Back in 1938, when the industry committee raised the rate of pay from 30 to 32½ or 37½ cents, I pointed out here that of four concerns in New Orleans that made wearing apparel, two of them, I think it was, closed down. Now have you a record of any other industries having failed or closed throughout the country because of this increase in wages?

Mr. WALLING. I think it is a true statement to say that there were practically no wide-scale closings, or rather that there were no wide-scale closings and practically no individual closings of establishments which could be attributed directly to the operation of the Fair Labor Standards Act, or were claimed by the owners of those establishments to be directly attributable to that Act.

Senator ELLENDER. What about the two in New Orleans that I have pointed out here, and I got telegrams from them stating that that was the case?

Mr. WALLING. Well, I would be glad to consult the record on those particular two. I don't know which ones you are referring to but I do happen to recall that there were several establishments in New Orleans which closed down about that time, as there were in every garment center in the country, because the garment industry is one where long life is more rare than anywhere else. There is a very rapid turnover in establishments in the garment industry, and I happen to recall that one of those New Orleans firms expressly stated at the time they went out of business that it was not because of the operation of the Fair Labor Standards Act. I will be very glad if you will give me the names of the two in question to see if I can find out specifically about them.

Senator SMITH. I would like to ask that there also be put in there the extent to which price rises occurred which saved those concerns from being shut down, or whether, as you have implied in your remarks, that was absorbed some other way in industry. Which was the fact? It is very important, it seems to me.

Mr. WALLING. I think it would be difficult to obtain individual data from particular establishments on price increases, because they were not required to file their prices with any governmental agency or obtain permission to raise their prices. We could only find out, by consulting a particular firm, whether it did or did not increase its prices. I was speaking in general terms about industry price levels as distinguished from particular establishments.

Senator TUNNELL. Can you answer as to whether a particular industry or a particular firm or company can absorb this increase in wages unless you know something about what the profits of that industry or firm have been?

Mr. WALLING. I can only point, I think, to the record which has already been made, of the increases in the wage structure which have already been absorbed. For instance, in the case of the garment industry 200,000 employees were getting less than the minimum wage which was put into effect as the result of industry committee action. Beyond that I couldn't go without knowing a great many other economic factors which affect prices, besides wages, because we must remember that wages are only a part, and generally a relatively small part, of the total cost of production, and you can affect wages by making increases, without affecting price levels in many cases more easily

than you can by making other types of adjustment in your cost of production, and the capacity of industries to absorb wage increases through increasing efficiency of production if for no other reason is quite extraordinary, as has been demonstrated by the record we have made in this wartime period.

Senator ELLENDER. Mr. Walling, I have heard that same statement made by many other witnesses, that the labor cost is a small part of the production cost. You have repeated that today.

Mr. WALLING. That is because it is true.

Senator ELLENDER. Well, you take raw iron from which steel is made, for instance, it is worth little, but it is the labor involved in getting it to the mills that makes its cost rise. In surface mining you have the labor of operating the dragline and the bulldozer and other mechanical devices. In deep pit or shaft mining, you have the labor of the miner with the pick, then transporting it through the tunnel and up the shaft. Then the labor of loading it onto railroad cars and off of railroad cars and onto barges or steamships. Then it goes from the barges to the mill. All of that requires labor costs, and that is where your great cost is. Even the railroads and steamship companies must hire and pay labor.

The same with farming. Take the cotton in the field. You certainly must consider the work that is attached in making the crop, planting it and cultivating it and harvesting it. I would say that labor in that instance is over 50 percent of the cost of producing the raw product.

Mr. WALLNG. Those figures are easily available for every industry.

Senator ELLENDER. But I can't quite understand why you say that the labor is very small, when, as a matter of fact it is the major part of it.

Mr. WALLING. I am talking about the general level of industry, the labor cost which generally prevails throughout industrial operations. Now it varies, of course, from one extreme to another. There are certain industries where the labor cost is relatively high in terms of total cost of production. There are other industries where it is relatively low. It depends on the particular industry. My statement was made about industrial operations in a general way.

Senator SMITH. But if you make a general rule then you are bound to affect adversely the industry that has a very high percentage of labor cost. That is the thing that troubles me in trying to make a flat rule to cover them all.

Mr. WALLING. Obviously, and that is why I have been pointing out the particular industries which would be most directly affected, where the problem would be most acute, and we know pretty definitely which industries those are.

Senator ELLENDER. Well, I hope somebody makes a study of that and gives us all the information. Nobody has done so thus far, but many have advocated a specific sum as a minimum wage without having studied the problem through.

Senator SMITH. I think it is very essential information in order to arrive at a sound and scientific conclusion.

Senator TUNNELL. I don't think you will ever get the answer to the question as to whether a particular industry or a particular company can stand a rise or can absorb a rise in wages until you know what that company is now making.

Senator ELLENDER. But, Senator, what we are doing here, irrespective of what one company makes over another, is applying the same yardstick to all of them.

Mr. WALLING. I have frequently made the statement that minimum wage legislation has been a greater preventive of bankruptcy than almost any other provision that has been enacted into law, because in the first place it makes an employer conscious of his obligations, an orderly way of doing business, and of the need for looking at his labor costs and over-all cost of production to see whether he is operating at a profit or loss.

Senator TUNNELL. Let me suggest something to Senator Ellender in response to his statement that the same yardstick is being used. Unfortunately the corner grocer does use the same yardstick when he hands out the groceries, and the merchant uses the same yardstick. So that there is a similar standard, and if the fellow in one line doesn't get wages equal to another, when he goes to spend his money he is in competition with the person who is getting a higher rate.

Senator ELLENDER. Well of course, Senator, in the retail and wholesale operations, as I understand it, that is done on a percentage mark-up depending upon what the cost of the goods is; but in the manufacturing end I don't think the same formula prevails. You have the most efficient manufacturers of certain articles, and manufacturers of the same articles which are less efficient.

Mr. WALLING. But a direct incentive is given to the least or less efficient producer to take stock of his operating methods and introduce greater efficiency if he has to meet a flat minimum wage bill. Just a few years ago I was down in San Antonio and I talked with one of the pecan-shelling operators there who was particularly opposed to the Fair Labor Standards Act when it was pending, and who predicted dire ruin for the entire pecan-shelling industry if these minimum-wage provisions were ever written into the law. Following a meeting down there this man, one of the leading processors in the industry, came up to me and said:

> I want to say to you that we all feel that we were wrong in our apprehension about the effect on our industry of these minimum wage provisions; it has been the best thing that ever happened to us. We are operating more efficiently, we have a more contented labor supply, we are turning out a much greater production per operator than ever before, and the industry is on a sounder and more profitable basis than it has ever been in its history, and we attribute it directly to the effect of the minimum-wage legislation.

That instance could be repeated over and over again in different parts of the country. There is no question but that once you have a minimum labor cost obligation to meet, you immediately take steps to make your production more efficient, if it begins to pinch, and that is bound to happen.

Senator ELLENDER. And of course in proportion to how much more you pay for your labor, the price that you are going to get for your goods will be increased to meet that initial cost?

Mr. WALLING. If you assume that you do not absorb that cost through greater efficiency of production.

Senator TUNNELL. Now, then, we are at page 25, I believe, of your testimony, Mr. Walling, and there are 35 pages in the statement which you have to present. I was wondering if there would be objection to your filing this in the record which would save your coming back, or what do you prefer to do? It would probably take an additional 2 hours to finish your statement with what discussion there might be on it. What is your preference?

Mr. WALLING. As the committee pleases.

Senator TUNNELL. What do you think, Senator Ellender?

Senator ELLENDER. I have no objection to letting him put it in the record, Senator, and the reason I say that is that Mr. Walling, like previous witnesses, is not prepared to answer questions that I would like to propound on the economics of the subject, that is, the effect that such increases would have on our economy.

Senator TUNNELL. I think that is largely because you have asked him questions about matters outside his province.

Senator ELLENDER. The point is this, Senator, that we haven't had a witness yet who has thought this thing through, as to its effect on our economy and all those concerned. All Congressmen and Senators will desire to think it through, I hope. We have had Mr. Hinrichs spent a lot of time before us telling us of the beautiful effects that will accrue because of giving better wages, but when you ask him how it will affect other groups, he didn't know, and that is your answer.

Mr. WALLING. Senator Ellender, I want to make it clear that I will be glad to insert in the record the exact figures of how many people are going to be affected by these proposed increases. That is a matter of public information.

Senator ELLENDER. Well, Mr. Walling, I am sure you will agree with me, or at least you should——

Mr. WALLING (interposing). You make it very difficult for me to disagree.

Senator ELLENDER (continuing). That the Fair Labor Standards Act has not had a fair trial because of the war. I would have liked to try the Fair Labor Standards Act under normal conditions, and I won't say I would like to see it tried under present conditions, that is, with the increase from 40 to 75 cents, because as I view it—I may be all wrong and I hope I am—it will cause, in my opinion, more unemployment than one can dream of. On the other hand, if prices are permitted to rise to meet the cost of increased wages, our economy will be doomed by an unprecedented spiral of inflation. God forbid that such will happen, because the farmer, the laboring man, the white collar workers, our pensioners and many others will be the greatest sufferers.

Senator TUNNELL. If it is satisfactory to Mr. Walling we will have the remainder of his statement incorporated in the record.

Mr. WALLING. Surely.

(The remainder of the statement is as follows:)

ESTABLISHMENT OF RATES FOR SKILLED JOB OCCUPATIONS

Section 5 of S. 1349 marks a departure from traditional minimum wage legislation by providing for the establishment through industry committee machinery, of minimum wage rates for skilled and semiskilled job classifications. As I read the language of the bill, it appears to me to be a mandatory provision, calling for the establishment of minimum wage rates for such occupations in all industries covered by the act. My first reaction is to question whether the purpose of the act—the elimination of labor conditions detrimental to the maintenance of minimum standards of living for health, efficiency, and general well-being of workers—justifies the establishment of wages above the minimum level. It seems to me this provision of the act goes beyond the basic purpose of minimum wage legislation and requires serious consideration.

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The objective sought by this provision is undoubtedly a sound one. I assume that its purpose is to insure that due recognition is given by employers to the skilled occupations as the minimum wage for unskilled workers is increased, or, in other words to prevent the minimum from becoming the maximum. Some years ago an argument commonly used against minimum wage legislation was that it would lead to a wage structure compressed tightly about the minimum rate. I believe that our experience with minimum wage legislation amply disproves this assertion. By and large, when minima under the act have been raised, there have been substantial increases granted to occupations in the higher brackets although not necessarily in exactly the same amount or proportion that the minimum has been increased. There have been some exceptions of course, one of which may have given rise to this provision. I believe the War Labor Board found, in a recent investigation of the textile industry, that there was a very substantial narrowing of differentials in certain establishments in the textile industry with the result that highly skilled workers in these establishments obtained very little more than the least skilled workers in the plant. I think, however, that taking industry as a whole this was a relatively rare occurrence.

It has always been my belief that wages in the higher brackets should be fixed through collective bargaining and that governmental activity in the minimum-wage field should be restricted to establishment of minimum wages required to reach a standard of living at a socially acceptable minimum level. In the light of this belief, this particular provision of the Pepper bill appears to me to be somewhat questionable. Aside from the basic question of the desirability of this type of wage fixing, I believe the provision, at least as presently written, would be extremely costly and difficult to administer. The collection of adequate information on the basis of which to set up job classifications for all industries and the information on rates actually being paid for all occupations would be quite a substantial task. Then too, there is lack of uniformity in occupational designations and even where the job is identically designated in different establishments, the job content may be quite different. Even more difficult would be the task of obtaining adequate information on transportation costs, costs of production, costs of living, which the committees would need under this provision in order to determine whether there should be geographical differentials in the skilled rates. This administrative burden could be minimized if the provision were made voluntary instead of mandatory so that such questions would be gone into only in those industries where the evidence indicated to the committee that there was serious danger of the minimum becoming the maximum. If the Congress should decide to experiment with this type of wage fixing, I would suggest: (1) That the provision be made voluntary; (2) that the committee be restricted in its authorization to minimum differentials for a few key occupations, which would tend to force the establishment or more or less appropriate rates for all other occupations; and (3) that the committee not be required to consider competitive conditions as affected by transportation, living, and production costs (which criteria, from a practical point of view, are almost impossible to apply) but rather to base their determinations on the differentials commonly found in the industries prior to minimum-wage action. My recommendations for voluntary action will give some recognition to a semblance of collective bargaining in the field where, as a permanent policy, the Government has not hitherto intervened to fix wages.

SUGGESTIONS FOR FURTHER AMENDMENT

S. 1349 provides for an amendment to section 16 (b) to provide that any action to recover liability under that section may be maintained at any time within 5 years from the accrual of such liability, in any court of competent jurisdiction. At the present time there is no statute of limitations in the act, and enforcement is governed by State statutes of limitation, wherever applicable.

As I pointed out in my last annual report to Congress, the present situation is extremely unsatisfactory. Among other suggestions which I made was the addition of a reasonable statute of limitations. If this were done, varying State standards, which penalize some workers in the collection of wages legally due and give competitive advantage to violators in States with arbitrarily lowered statutes of limitations, will no longer prevail. An employee's ability to collect back wages due him should not depend on the accident of geography.

In my testimony before the House Judiciary Committee on the Gwynne bill I suggested that 3 years would be a reasonable statute of limitations. I believe

that this is a more reasonable period of time than the 5 years provided for in S. 1349.

I also suggested in the annual report and in my testimony on the Gwynne bill that the enforcement of the act would be greatly aided by other types of amendment, including authority for the Administrator to bring action directly in the recovery of wages due under the act, and authority for the Administrator to promulgate regulations defining the terms and provisions of the act and protection for an employer from criminal or civil liability when he follows the Administrator's regulations.

Our experience shows that the overwhelming majority of employees who have been paid less than the act requires relief on the Divisions for their remedy. In contrast to the few thousand who sought redress in the courts are some 90,000 who lodged complaints involving several hundred thousand workers with the Divisions. Inspection of the establishments involved in these complaints has resulted in the restoration of nearly $50,000,000 in back wages due under the act. Even more significant is the fact that employees very commonly wait for the Division to secure their rights, taking no action at all. They may be uncertain of their rights, they may be hesitant about asserting them, or they may actually be afraid to do so. In any case, the inspection of 41,000 establishments, in the fiscal year 1944, against which no complaint had been filed resulted in the payment of nearly $9,000,000 in back wages to 293,000 employees. This outcome of the Division's spot-check program of non-complaint inspection repeated the experience of previous years. In the first 7 months of the 1945 fiscal year 132,000 employees who had taken no action on their own behalf received over $4,500,000 in back pay as a result of noncomplaint inspections.

The obligation on the Administrator to assure equally the rights, under the act, of all covered employees is almost too obvious to need mention. From the standpoint of administration, it no less important that the provisions of the act be applied equally to all employers subject to its requirements.

As I said in my last report to the Congress:

"An important part of this program is the collection of restitution in cases where the employer has failed to pay his employees in accordance with the act. Such a step benefits the workers denied wages legally due and denies the employer who has violated the act the advantage which he would otherwise gain over his competitors. The labor laws of several States give the administrative agency in charge of enforcement of their minimum wage laws power to sue directly to secure the restitution of unpaid wages to the employees upon assignment of their claims. If such a provision were added to section 16 (b) of the Fair Labor Standards Act, it would increase the efficiency of enforcement and facilitate the collection of restitution. This would benefit the great mass of workers denied wages legally due and, if a provision for waiving the penalty provided by section 16 (b) except in cases of willful and flagrant violations were included, employers who voluntarily pay the restitution due would be saved from possible injustice by relief against the threat of further court action.

"At the present time, the Administrator has no power to issue authoritative interpretations of the general provisions of the act. This is highly unsatisfactory because it means that an employer who complies with the Administrator's interpretation on a doubtful question cannot be sure that he will not be subjected to liability in an employee suit. For example, an employer who is operating an establishment regarded by the Administrator as a retail establishment, and, therefore, exempt under section 13 (a) (2), may be sued by his employees for double damages and the court may rule that the establishment was not retail and that the employer must pay double damages to the employees for his violation of the act. Accordingly, I recommend that the act be amended to give the Administrator power to make regulations necessary or appropriate to implement the act's provisions, including the definitions of terms used in the act, and to protect employers from any civil or criminal liability where they were complying with the Administrator's regulations. It will be observed that the Treasury regulations issued under the revenue acts are almost an exact precedent for the procedure now proposed.

"The minimum wage and overtime provisions of the Fair Labor Standards Act protect some 21,000,000 workers, but a still greater number are outside its protection. Many of these latter are employed in activities outside Federal jurisdiction. In appropriate forums the Administrator has urged parallel State legislation to broaden the effect sought by the Congress in the act and provide for such workers a similar bulwark against post-war wage slashing, deflation, and consequent unemployment.

"As frequently noted by the courts, however, coverage under the act is not itself as broad as the Federal power. In some directions this has caused difficulties of fair administration and thwarted the purpose of the Congress by actually resulting in unfair competition and leading to disputes. Two examples emphasized by inspection and enforcement experience may be mentioned:

"(1) Employees protected by the act and others unprotected may work side by side at similar tasks in the same plant. Since all employees in an establishment may not be engaged in interstate work, they are not all necessarily subject to the act as at present drawn, even though the operations of the establishment are essentially of an interstate nature. This is exemplified by wholesale houses, in which certain groups of employees working with shipments of goods received from without the State, or on particular types of orders, are subject to the act, while others, concerned with intrastate distribution of goods, may not be covered. Or the same employee, doing exactly the same work, may be covered one week and not the next.

"(2) There are firms in industries of a basically interstate nature, which affect interstate commerce and should be covered, but which because of their location and the nature of the product, are able to operate on an intrastate basis. Although they may compete directly with interstate plants, they are not required to meet the minimum wage or overtime requirements of the act, and unfair competition is not eliminated. The importance of this factor of competition between firms whose positions with respect to coverage under the act differ has been emphasized at hearings before several industry committees, where data have been presented on the serious effects of low-wage competition from non-covered firms. In two instances—the clay products and the lumber and timber industries—the committees suggested to the Administrator that, because of a serious competitive situation, the act be extended to include all firms competing with interstate operations.

"These problems might be dealt with in several ways. One would be to amend the act to include all employment affecting commerce; this would follow numerous precedents, such as the National Labor Relations Act. An alternative would be to change the text of coverage to an industry basis making the minimum wage and maximum hour provisions applicable to all employment in industries found by the Administrator substantially to affect interstate commerce."

CONCLUSION

It may be well for the committee to keep in mind some of the criticisms which were made prior to the original passage of the Fair Labor Standards Act. I have myself reviewed the hearings held by joint committee to consider the original bill. I am impressed with the fact that if the dire predictions of the opponents of the bill had come true our economy would indeed be threadbare. We would not now be holding hearings on S. 1349. Among the most frequent predictions made were (1) that the bill would, by destroying wage flexibility, force wholesale closing down of plants; (2) that it would create uncertainty and cut profits, and cost flexibility to the disadvantage of small manufacturers; (5) that the thus discouraging business expansion; (3) that it would increase costs and prices, thus decreasing sales and employment; (4) that it would destroy price and the power of collective bargaining; and (7) that it would destroy the separation of powers between State and Federal Government.

One has but to look at the healthy progress of industry and labor since that time to find the answer to these dire predictions. Two editorials from newspapers in areas where the prophecies of disaster had been most strident give perhaps the best evidence.

A year after the wage and hour law became effective—before the effects of the war—the News-Leader of Richmond, Va., commented as follows: "In spite of the personnel troubles of the tobacco firms, particularly the small independents, the Federal wage standards have had a gratifying effect in Richmond. The incomes of more than 2,000 families have been substantially increased. Scores of slum tenements have been abandoned for better living quarters. If reports are to be credited, the quality of work of the average stemmer has improved to a point that largely has compensated for the boost in wages. Trial of the Fair Labor Standards Act among southern low-wage industries may mean the same happy experience for other communities that Richmond has enjoyed for the past year."

On February 6, 1941, the Birmingham News wrote editorially:

"This newspaper, frankly, was dubious of the wage-hour proposal when it was enacted, chiefly on the ground that it would impose economic difficulties which,

we feared, would cause so many dislocations that it would do more harm than good, especially in the South, where industrial development is not far advanced. This fear has not been borne out, and there are many evidences, on the contrary, of beneficial results of the act."

The committee has requested data on the number of workers who have directly benefited from the imposition of the statutory and wage order minima established under the act. When the statutory 25-cent minimum took effect on October 24, 1938, 300,000 workers in the continental United States received direct wage increases. The statutory 30-cent minimum which became effective a year later directly increased the wages of approximately 650,000 employees. In addition, the wage order program, which by July 1944 had established a universal 40-cent minimum throughout American industry, resulted in approximately 2,700,000 individual wage increases. The number of employees directly benefited each year through the establishment of wage order minima is as follows: Fiscal year 1940, 313,000; 1941, 638,000; 1942, 805,000; 1943, 278,000; 1944 (including July 1944), 609,000.

Apart from these direct increases, a vast number of workers being paid above the minimum received increases as a result of upward shifts in industry wage structures to reflect the new minimum rates. It is to be noted that these changes on the whole were absorbed without serious dislocation of industry.

I believe that now is the time to advance the frontiers further. The gains proposed in S. 1349 toward the goal of a minimum standard of decency originally set forth by Congress in the Fair Labor Standards Act of 1938 will at this time mean a minimum of readjustment. Now is the time to take another firm step forward.

Senator TUNNELL. Thank you, Mr. Walling.

Mr. WALLING. Thank you very much, sir.

Senator TUNNELL. I have enjoyed this discussion.

Mr. WALLING. I am sorry it had to be so lengthy and so technical.

(Additional testimony submitted by Mr. Walling appears in the Appendix.)

Senator TUNNELL. The committee will now stand in recess until 10 o'clock, tomorrow morning.

(Whereupon, at 12:10 p. m., the committee recessed until 10 a. m., Friday, October 5, 1945.)

AMENDMENT OF FAIR LABOR STANDARDS ACT

FRIDAY, OCTOBER 5, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James M. Tunnell, presiding.

Present: Senators Tunnell, Ellender, La Follette, Aiken, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will be in order.

Mr. McDonough, will you take a chair at the other end of the table?

Now, Mr. McDonough, give your name and your position to the reporter for the record.

Mr. MCDONOUGH. I am Patrick W. McDonough, of Oakland, Calif. I am owner of the McDonough Steel Co., and also a director of the Smaller War Plants Corporation.

Senator TUNNELL. All right, Mr. McDonough, give us any statement as to your position on this bill that you desire.

Take your own method of presentation.

TESTIMONY OF PATRICK W. McDONOUGH, OWNER, McDONOUGH STEEL CO., OAKLAND, CALIF.

Mr. MCDONOUGH. I appear before you to speak in favor of the adoption of the bill known as S. 1349. I do this as an employer and a manufacturer, because I feel the best interest of the people of America will be served by a fairer distribution of the production of the country to the underpaid. I feel that such a bill is necessary because the paying of good wages, at least wages necessary to sustain life and a good standard of living, will not be paid by some employers unless it is made obligatory.

The first thing a businessman must learn in order to be successful is that he is not operating an eleemosynary institution. The exigencies of business require that he survey the wages and salaries paid. These must be in line with his competitors' or he just does not stay in business. In crafts or trades which permit unionism, the union is usually a little late finding out that it is not occupying its proper relation to changing conditions. The unions demand a change, usually an increase, and it is granted only if they show a sufficient power to force their demands. Never, in my 42 years as a workingman and employer, have I ever seen an increase in wages freely granted in a competitive field where the end price was determined by competition only.

This minimum of 65 cents to 75 cents an hour in 2 years will reach down to the unfortunate people who, for a great many reasons, are

not in a position to help themselves. Yet they are the people who furnish a great number of our successful men and they are the people who, in time of war, furnish not one soldier per family to make the supreme sacrifice if necessary, but four and five, or even more, boys per family. If, through the stress of circumstances, these people cannot get a fair share of their production; if, from that same stress, these people who are heads of families become what we term the "underprivileged," then it is the duty of our lawmakers to provide remedial laws so that they will enjoy a fair share of the present production and of their potential production. I believe that S. 1349, although not a complete answer to the problem, will tend to ameliorate the abominable conditions due to insufficient wages.

I do not wish to present a mass of figures showing the economic relations of high wages to high production. It is indisputable that our country, which pays the highest wages, has also the highest production per man; also, that the relative production per man in other countries conform, high or low, consistent with the wages paid.

This is not a matter of some unknown economic law. High wages and high production are synonymous, just as a well-kept machine is more productive than a run-down machine. It requires money to keep a machine in order and the costs are amply compensated for by a greater proportionate output.

People who have not enough to eat or have not proper clothing are not in a position to produce and the only way they can attain a higher standard of living is to give them enough money so that they can buy the requirements of life.

I know that if we suddenly would double everyone's pay, that that alone would not alleviate the conditions one bit; but I do know that when wages are high, we mechanize. In my own business, our first test is: What will the operation cost? If the cost is based on a high wage, we make a machine or contrivance of some kind to increase the production. This mechanization, in the aggregate, is what makes our country the greatest Nation in the world, as proved by the recent war. This does not promote unemployment. This means that there is a greater amount to pass around to others.

From the very nature of things this sharing of production cannot wholly be left up to the magnanimity of the employers. This is indictated by the fact that manufacturers close their plants in one State to move to another State because labor is cheaper. This simply means that in some States people have a lower standard of living and employers move in to take advantage of what they think is a favorable business condition. No thought is ever given by the employer that higher wages should be paid.

I went to Puerto Rico recently and visited and inspected manufacturing facilities. I observed there an outstanding example of the moving of plants to regions of low wages. The plant I have in mind is a branch of one in Iowa. Its business is the making of the Great American Apple—also known as a baseball. The manager took me over especially to watch one woman sew. She operated like a machine—a needle in each hand and without any lost motion. I asked how much she made, and he swelled all up and said she often made as much as $8. I asked, "A day?" And he said, "Of course not—$8 a week."

In my business, during the 1930's, wages paid by some employers were as low as 20 cents per hour. There was no check on the avariciousness of the employer. Everyone was damaged by these conditions, most of all the employer. He, too, needs some protection from unscrupulousness.

I wish to offer a fact which I have observed during my working and business life, pertaining to the people whom you now wish to pay 65 cents per hour. I have seen wages increase from 20 cents an hour to $1 per hour, due mostly to organization. During that 40 years that this increase took place, despite the wage increases of five times the original amount, the end cost of the product in our particular line is less than it was 40 years ago. This is, of course, due to mechanization and improved methods, and with this has come a higher standard of living.

I wish to offer an example. Thirty years ago the wages paid in my industry were 30 cents per hour in making a certain type of tank. In 1940 the rate was $1 per hour. Despite the increase of almost four times in wages paid per hour, the labor cost in that particular tank dropped from $120 to $80. This, of course, was due to better methods.

I also recognize that if a floor is put to wages, which is considered just, then an unfair ceiling may eventually be put up, but for the present the low-wage earner needs a good floor. S. 1349 will be a contributing factor to a better and greater America. Therefore, I am wholeheartedly for its enactment into law.

Senator TUNNELL. Mr. McDonough, one of your statements causes me to ask this question: Do you think that high production causes the high wages, or the high wages cause the high production?

Mr. MCDONOUGH. Ask that question again, please.

Senator TUNNELL. You say that high wages and high production go together.

Mr. MCDONOUGH. That is right.

Senator TUNNELL. Which causes the other?

Mr. MCDONOUGH. Well, I liken that to a machine. A man is nothing more or less than a machine, at least treated so by employers, and if the machine is in poor working shape due to not being oiled, and other things, it doesn't produce; and if a man is in poor working shape due to not having enough to keep himself and family, he doesn't produce. They are absolutely inseparable, high wages and high production; they are one and the same thing.

Senator TUNNELL. I think that there is much in what you say, but I was just wondering which was the cause.

Mr. MCDONOUGH. I think a high wage is a contributing factor to high production. That is, it comes about this way: for instance, in my particular plant, I hire men and pay them high wages, and they work harder to keep their jobs; they are more interested in their work. So consequently, they produce more.

Senator TUNNELL. That means that a satisfied employee will do more than an unsatisfied or a dissatisfied employee?

Mr. MCDONOUGH. That is right.

Senator ELLENDER. What kind of business are you engaged in?

Mr. MCDONOUGH. I run the McDonough Steel Co.

Senator ELLENDER. What do you manufacture?

Mr. McDONOUGH. During the war we were manufacturing invasion boats, and at other times we make everything from steel smokestacks to steel buildings or steel barges; anything in steel.

Senator ELLENDER. How many people did you employ——

Mr. McDONOUGH (interposing). Normally we employ about 200.

Senator ELLENDER. When you say "normally," you mean prior to the war?

Mr. McDONOUGH. Yes; and after the war.

Senator ELLENDER. How many did you employ during the war?

Mr. McDONOUGH. Five hundred.

Senator ELLENDER. What is your rate of pay, the minimum wage?

Mr. McDONOUGH. One dollar an hour.

Senator ELLENDER. This bill wouldn't affect you.

Mr. McDONOUGH. No; it doesn't affect me at all.

Senator AIKEN. Well, wouldn't it affect you by requiring your competitors to pay a fair wage, or would any wage in your business be as much as this bill calls for?

Mr. McDONOUGH. I might state that in California—without bragging—we have a fairly high standard of living, and 65 cents an hour is hardly known.

Senator AIKEN. Practically everybody pays over 65 cents an hour for any kind of work out there?

Mr. McDONOUGH. That is right.

Senator TUNNELL. You know, there is certain latitude allowed to Californians in bragging about their own State.

Mr. McDONOUGH. You know, I come from the part of California where we don't have to brag.

Senator AIKEN. Are you a native?

Mr. McDONOUGH. Yes; I come from San Francisco.

Senator ELLENDER. Mr. McDonough, I agree that California has a much higher standard of living than any other part of the country; there is no question about that. I suppose you folks produce everything on earth there in the way of farming except, I think, sugarcane, and I am glad of that. How long have you been in business?

Mr. McDONOUGH. Twenty-two years.

Senator ELLENDER. Would you remember the progress of your business, let's say, during the last 7 or 8 years before the war in respect to——

Mr. McDONOUGH. Well, my business——

Senator ELLENDER (interposing). That is, in respect to the minimum rate you paid per hour, and the number of people you employed from time to time.

Mr. McDONOUGH. When I began business in 1924, the rate of pay covering these men, which is unskilled, was 50 cents an hour; and since then it has gone up gradually to where I pay at least a dollar an hour.

Senator ELLENDER. But when did you start paying the dollar?

Mr. McDONOUGH. Well, I always paid more than the required wages. I started paying a dollar an hour about 1941.

Senator ELLENDER. 1941?

Mr. McDONOUGH. Yes.

Senator ELLENDER. Before that, how much did you pay?

Mr. McDONOUGH. Eighty cents an hour.

Senator ELLENDER. When did you start paying the 80 cents?

Mr. McDONOUGH. Right after the depression. In the depression we went back to 50 cents an hour again.

Senator ELLENDER. You mean in 1929?

Mr. McDONOUGH. In 1929 we were paying 65 cents an hour, the same as this bill calls for.

Senator ELLENDER. That was not during the depression?

Mr. McDONOUGH. No.

Senator ELLENDER. Things were going on pretty well then?

Mr. McDONOUGH. Yes.

Senator ELLENDER. And that is the top wage you paid, 65 cents?

Mr. McDONOUGH. Yes, in 1929. And beginning with about 1934, there was a gradual increase. They paid as low as 20 cents an hour in the early 1930's as the average, but I never paid below 50 cents.

Senator ELLENDER. How long did you continue to pay the 50 cents?

Mr. McDONOUGH. I believe not more than a year.

Senator ELLENDER. About what year was that?

Mr. McDONOUGH. That was about 1932.

Senator ELLENDER. And then from that date you gradually increased until 1941 when you went to a dollar an hour?

Mr. McDONOUGH. Yes.

Senator ELLENDER. How long did you continue to pay 80 cents?

Mr. McDONOUGH. I would say it would average about 2 years; 65 was the next, and then I would say that in about 1938 it went to 80, and then to 90.

Senator ELLENDER. How many people did you employ, let's say, just before the depression, in 1929? Do you remember that?

Mr. McDONOUGH. Oh, yes; a good average would be about 80 men.

Senator ELLENDER. And then after the depression?

Mr. McDONOUGH. Do you mean after or during the depression?

Senator ELLENDER. I was asking you to tell us before the depression, that is, about 1929, when everything was going on pretty well over the country.

Mr. McDONOUGH. We went from 80, say in 1929, to the vanishing point in 1932 or 1933.

Senator ELLENDER. Why did you do that?

Mr. McDONOUGH. There was absolutely no work of any kind.

Senator ELLENDER. What was the cost per unit of production at that time in contrast to the period just before the war?

Mr. McDONOUGH. Just before the war we produced just as cheaply per dollar as we did in 1929, or more cheaply. That was due to better methods.

Senator ELLENDER. That is what I want to bring out. And you wouldn't attribute it to better skilled labor, would you?

Mr. McDONOUGH. No; it is due more to the management than to the men.

Senator ELLENDER. In other words, when you say better conditions, you mean improvements in technology?

Mr. McDONOUGH. That is right.

Senator ELLENDER. And of course, when your per unit cost was decreased because of these technological advancements, then it was that you could pay labor a little more per hour, and of course your per unit costs were still lower then than they were before the war and before 1929; am I correct in that?

Mr. McDONOUGH. Yes; 1929 in the steel business, although it was coming before that, marks the point where there was a complete change in methods. Up to that time the greater percentage of the business was what we call riveted construction, and then just about that time was invented what they call the coated welding rod, and with the general use of that and the improvements in the welding, the riveting dropped off to where it is now almost a minus quantity.

Senator ELLENDER. Why did you raise wages?

Mr. McDONOUGH. I raised wages just like everybody else——

Senator ELLENDER (interposing). I don't believe you did.

Mr. McDONOUGH. I raised them because I was forced to raise them.

Senator ELLENDER. Let me ask you this: You say you were paying a dollar per hour during the war?

Mr. McDONOUGH. Yes.

Senator ELLENDER. And you propose to continue that rate after the war?

Mr. McDONOUGH. Yes.

Senator ELLENDER. Suppose you were asked to increase all your wages, say, 40 percent, within 3 years, without increasing your prices; would your business be able to withstand the shock?

Mr. McDONOUGH. Oh, no.

Senator ELLENDER. Of course it would not.

Senator TUNNELL. Wouldn't that depend upon what you had been putting away?

Mr. McDONOUGH. No. I tried to cover that here. I stated that I also knew that if you suddenly double wages, that that wouldn't help conditions.

Senator TUNNELL. Suppose you had been putting away—I will just name a flat amount—a million dollars a year as profit. Then could you afford to raise wages?

Mr. McDONOUGH. Well, I tell you, I can answer that question. I have made a million dollars a year profit, but when I got through with taxes, I was lucky to pay my bills.

Senator TUNNELL. What is that?

Mr. McDONOUGH. Due to the improvements I made in my plants, I was lucky to pay my bills.

Senator TUNNELL. You mean you put that million dollars into improvements?

Mr. McDONOUGH. No; I made a million dollars, and the taxes reduced it to about $60,000, and then I put $100,000 in improvements, so I owed $40,000.

Senator TUNNELL. But you had an additional capital investment of $100,000?

Mr. McDONOUGH. That is right, of which I owed $40,000.

Senator TUNNELL. But what I am trying to get at is this: whether or not you could afford to raise wages, leaving the tax out—of course the tax would have been different if the wages had been higher, wouldn't it?

Mr. McDONOUGH. The great——

Senator TUNNELL (interposing). Let me finish my question—whether or not you could raise wages would depend on whether your business had been sufficiently profitable?

Mr. McDONOUGH. That is right, whether or not you can raise wages is entirely regulated by your competitors. You have nothing to do with it. If your competitor can pay a lower wage, you can't compete because he can buy just as cheaply as you can and then the only advantage you have is better management; but the point I want to make is that when you pay high wages, then you get to using what you call your noodle and begin figuring ways of doing the work cheaper by mechanizing rather than just by labor.

Take, for instance, in Japan, when they coal boats they do it by a series of women alongside of each other, passing the coal baskets along; but in this country, where we have machinery, we do it instantly, almost, by machinery, and with very little intervention of labor.

Senator TUNNELL. Let me turn your argument on you just a little. You say your competitors pay a lower wage and can produce cheaper. If that is true, do higher wages cause greater production?

Mr. McDONOUGH. Oh, you bet they do, and for this reason. It incites you to mechanize rather than use unskilled labor. If you pay low wages you figure, "Well, the machine costs $1,000, and I am only going to use $900 worth of labor, so why make a $1,000 machine." But if your labor costs you $6,000 and you can make the machine for $1,000, then you will figure, "We will make the machine." In that way you produce more, and the production is cheaper, and you can pass your savings along to your employees.

Senator ELLENDER. I have been trying to point that out to this committee ever since we started these hearings. Of course, due to the fact that you have employed these machines, and I presume they cost you a lot, it is to your advantage to employ the best skilled labor you can procure?

Mr. McDONOUGH. You can't make any money from unskilled labor. A businessman knows you can't make any money off of 65-cent labor.

Senator ELLENDER. Now, Mr. McDonough, I would like you to be a little more specific in answer to a question asked by Senator Tunnell. You say that you raised your wages because you were forced to?

Mr. McDONOUGH. That is right.

Senator ELLENDER. What do you mean by that?

Mr. McDONOUGH. I might have sometimes beaten them to the punch, so to speak. But you could hear the rumbling, and they were about to present their requirements, so I raised wages. I have seen wages increased—I learned the boilermaking business. When I learned the boilermaking business the wages for boilermakers, a practical boilermaker, were from 25 to 30 cents an hour. At the present time a boilermaker gets $1.28 an hour, that is about a dollar more. During those 40 years of every increase granted those men—none of them were ever given freely, they were always gotten by the union—if not by a strike, by a demand—and employers never raise the wages unless they are forced to.

Senator ELLENDER. Let me ask you this: When you were forced to raise your wages, did you follow through by raising the prices at which you sold your products?

Mr. McDONOUGH. At times. It was according to each job. Each job is separate. You estimate your job. I point out specifically that in 1915 I was superintendent of a company and we paid, top, 30 cents an hour. Now under the methods used then, that tank cost $120——

Senator ELLENDER (interposing). You mean the labor or the whole tank?

Mr. McDONOUGH. The labor at 30 cents an hour.

Senator ELLENDER. I see.

Mr. McDONOUGH. At the present time, due to mechanization, improved methods, you can make the same tank for $80 and pay the men a dollar an hour.

Senator ELLENDER. How many people are employed now to make that tank in contrast to the number of people employed to make the same tank that you made years ago?

Mr. McDONOUGH. It is just in proportion, less than four, say about three.

Senator ELLENDER. Would you be able to say whether or not your plant is now in a better condition to turn out work than it was before the war?

Mr. McDONOUGH. Yes; mine is; yes.

Senator ELLENDER. Would you say that your per-unit costs after the war will be less than they were before the war?

Mr. McDONOUGH. I think mine, and practically everybody else's, will be; yes. I think during the war there is one thing we have to consider, that now, with the improvements made in almost every industry, it will only take five men where it took six before. That is just my guess. So consequently, that is going to leave a surplusage of men.

Senator AIKEN. Raising the wages after the war wouldn't necessarily mean that you would have to raise prices to the same extent, if you are 20 to 25 percent more efficient?

Mr. McDONOUGH. No; but the raising of wages would have to be considered. But as we are more efficient, that should reduce the selling price or the end price of the article produced.

Senator ELLENDER. And on the other hand, if you are forced to raise wages, you could, by mechanization, do the same job with less people?

Mr. McDONOUGH. I believe, yes.

Senator ELLENDER. Isn't that what naturally follows?

Mr. McDONOUGH. That is right.

Senator TUNNELL. But you said a few minutes ago, as I understood you, that you could make the same article for the same amount of money with the higher wages.

Mr. McDONOUGH. No; I didn't make that statement.

Senator TUNNELL. You said in proportion to the amount of money.

Mr. McDONOUGH. No; I didn't say that, Senator.

Senator AIKEN. My question was that even though he paid higher wages, because the shop was more efficient now that the cost of the finished product wouldn't necessarily have to rise the same percentage as the increase in wages.

Mr. DONOUGH. No; that is the statement that I made.

Senator AIKEN. Your material might cost the same or a little more, your wages might cost the same or a little more——

Mr. McDONOUGH (interposing). Wages, as applied in any individual plant, are very seldom more than 25 percent of the cost. You have to buy material.

Senator AIKEN. Wages have been rising the last 20 years or 10 years or even 5 years, and wages have risen at a much greater rate than costs have in that period.

Mr. McDONOUGH. No; I think——

Senator AIKEN (interposing). I know some claim that they haven't, but I am speaking of your finished product, I am not speaking of the cost of living.

Mr. McDONOUGH. In my finished product, steel hasn't risen very much during the war. We used to pay $2.62 and now we pay $2.80.

Senator AIKEN. You say you have doubled your wages since 1935. Has the cost of a smokestack doubled since 1935?

Mr. McDONOUGH. No; it hasn't.

Senator AIKEN. That is because you have more efficient equipment and facilities?

Mr. McDONOUGH. And then we have been progressing technologically since 1935. You can't just boost the thing up like an elevator and expect something to happen. But you can boost wages, I think, over a period of, say, 10 years gradually, and then your technological skill is changing, and as I mentioned, over a period of 40 years the wages are five times as high, but still in my particular business the unit price is no higher now than it was 40 years ago, because there has been a complete change in operation. We have changed from riveting, on one hand, which required a tremendous amount of operation, and now when we weld we just roll the thing up and weld it, so it is a very simple thing now to make the same product.

Senator ELLENDER. Mr. McDonough, I have to leave in about 3 minutes, and I want to ask you a couple of questions.

When you say that you will continue to pay 1 dollar per hour from now on, did you take into consideration the profits that you are now making in your business?

Mr. McDONOUGH. No. You mean the establishment of the dollar rate?

Senator ELLENDER. In other words, you are now saying to us that you are going to continue to pay the dollar per hour.

Mr. McDONOUGH. Yes.

Senator ELLENDER. What causes you to say that?

Mr. McDONOUGH. Well, as I said, I am not running an eleemosynary institution. It is the pressure that is put upon me. I can't turn around and say, "Well, I will give everybody $2 an hour," because then I couldn't get any business, the price would be too much.

Senator ELLENDER. That is the answer I expected from you.

Suppose you had to depend strictly on labor's skill and not on technology, say in the next couple of years——

Senator TUNNELL (interposing). I don't understand that question.

Senator ELLENDER. I haven't finished it yet. I am asking the witness, and if he doesn't understand, let him say so.

Senator TUNNELL. It is on the presumption that he has either technology or labor and doesn't have both.

Senator ELLENDER. I want his views on the subject.

Suppose that within the next 2 years you had to depend strictly on labor's skill and there were no technological improvements, and you were forced to pay, let's say, from 25 to 30 percent more for your labor, how much more would you have to increase the price of the products that you produce?

Mr. McDONOUGH. It is probable that I wouldn't have to increase it any.

Senator ELLENDER. Why is that?

Mr. MCDONOUGH. Because there is a difference in men, there is a difference in the way the same man works. Some men, for instance, dig a ditch. There is no technological skill required there. But one man can dig six times as many feet as the other man, and the same man who digs six times as much as the other, if he lies down on the job, will only dig three times as many feet. So under proper direction, you can still increase the wages without the intervention of any technological skill.

Senator ELLENDER. And sell your product for the same price?

Mr. MCDONOUGH. Yes; because they produce more.

Senator ELLENDER. Well, your answer is contrary to what you stated a while ago; when I asked you if you were to increase your wages from 30 to 40 percent, over a period of 3 years, your answer was that you would be obliged to raise the price of the products you produce and sell.

Mr. MCDONOUGH. Well, I misunderstood your question, then, because I am answering your questions one at a time. The thing is this: I also stated you could increase wages 40 percent over a period of perhaps 10 years by proper management, even without the intervention of technological skill, that is, no machines. For instance, a simple thing like laying bricks, one bricklayer can lay 1,000 bricks a day, say, without any effort. Somebody else will only lay 400 bricks a day, and by proper direction you can maybe make them all lay 1,000 bricks a day.

Senator ELLENDER. Let's be practical about that. Let's apply that to the country as a whole. Do you think it would be possible for management, all management, to get the type of labor that you speak of now?

Mr. MCDONOUGH. Yes; I think it is. If they can't do it they won't stay in business if the other fellow does it.

Senator ELLENDER. That is all, Mr. McDonough. I am sorry I must leave.

Senator TUNNELL. Have you any questions, Senator La Follette?

Senator LA FOLLETTE. No.

Senator TUNNELL. Have you, Senator Smith?

Senator SMITH. No; I have no questions.

Senator TUNNELL. I misunderstood you a while ago, I guess, to the extent that I thought you said that by increasing the technology and increasing production, you could get the same amount of profit per dollar of wages.

Mr. MCDONOUGH. Of course, there is a lot of variance in all of these things. Even in a very costly operation, the wages are only 25 percent. Take, for instance, in making barrels, which is a steel line, the wages are only about 5 percent. But still you have what you call overhead, which is the bills you pay by the month and the taxes you pay by the year, and they are twice as much as wages.

Senator TUNNELL. As you raised wages, did your profits decrease? I am not speaking of taxes now, I am speaking of your profits without taxes.

Mr. MCDONOUGH. Well, now, wages has nothing to do with my profits. It is my competitors that regulate my profits.

Senator TUNNELL. Well, your competitors help regulate your wages, too, don't they?

Mr. MCDONOUGH. That is right. They regulate my profits because if they sell below cost, if I wish to get anywhere I have to adopt the same methods.

Senator TUNNELL. Can't you give me some idea about that? Have your profits increased or decreased with the raise in wages?

Mr. MCDONOUGH. I might state this, that one of the great stimulants to production in this country is a unified wage, because then it takes the responsibility off of the employer. If everyone pays the same rate per hour, then it puts the responsibility on management to manage so they can stay in business; while if people are permitted to pay different wages, the fellow who pays the lowest wage has the best opportunity of remaining in business.

Senator TUNNELL. You still haven't answered my question. If it is a difficult one——

Mr. MCDONOUGH (interposing). I don't wish to avoid your question. Maybe I don't understand it.

Senator TUNNELL. I would like to know whether your business experience has shown that your profits decreased with a rise in wages?

Mr. MCDONOUGH. Your profits absolutely increase with a raise in wages, because you figure if you pay a man 50 cents an hour and you figure 10 percent an hour, on that man you make 5 cents an hour. Ten percent is the usual amount you figure. When you pay him a dollar an hour, you make 10 cents profit. It is really advantageous to pay higher wages, from the profit angle, for that reason, figuring the same percentage.

Senator SMITH. You mean by that you get a more interested worker and higher production per unit?

Mr. MCDONOUGH. No; I mean the profits of management are greater, as the profits are based on wages as well as everything else. If you pay a man a dollar an hour and figure 10 percent, you make 10 cents. If you pay him $2 an hour—wages will eventually get there, I guess—so when you are paying $2 an hour, if he figures 10 percent he makes 20 cents. So his profits are necessarily higher by paying higher wages, providing only one thing—is his business profitable? There might be other things that intervene that make him lose money.

Senator SMITH. When you said a moment ago that you would like to see a standard wage all over the country so there would be no competition in the labor market, do you think that that could be applied in all industries? Some industries have a larger percentage of their cost at the labor end than others. Yours apparently is small. Do you think that runs pretty uniform, or do you think it is variable?

Mr. MCDONOUGH. I think it should be standard in all parts of the country. There is no reason why we should pay a minimum of a dollar an hour in California—and the reason why it should be standard, in places where they pay high wages you have a higher standard of living.

Senator SMITH. I realize that. Are you talking now about industry by industry country-wide, or all industry, so that no matter what a man is working at he should get a certain wage for his time?

Mr. MCDONOUGH. Yes. You have certain exceptions in this law, S. 1349—agriculture and other things—as I read the law. I am talking about all industries not excluded or exempted by this law. Sixty-

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five cents is a pittance, I don't care where it is in this country, for any wage. It is really not American to pay 65 cents an hour, not nowadays.

Senator SMITH. Well, I think any one of us would like to see that go to the highest possible figure, but what we are thinking of is the effect that that is going to have on prices throughout the country.

Mr. MCDONOUGH. Well, I don't think a rise to 65 cents an hour is going to affect prices one iota, in the country.

Senator SMITH. Wouldn't you expect, if you raised your minimum wage from 40 to 65 cents, there would be a movement correspondingly to move all wages up in that same proportion?

Mr. MCDONOUGH. Most people get considerably more than 65 cents now, and I don't think that it necessarily would push up wages. There might be too great a disparity now between the top man and the 65-cent-an-hour man. As I pointed out, down in Puerto Rico, where they were making baseballs, that company apparently moved down there because they could get women for—at least one woman, who was really a wonder, made $8 a week when she was going good.

Senator SMITH. That is the very kind of a case we want to know about so that those people can't be exploited in that way.

Mr. MCDONOUGH. Another thing about Puerto Rico, they pay those low wages, and the people live worse than animals. A lot of wild animals live better than those people, some of them, do down there. In fact, they live a cleaner life. And this low-wage schedule puts that kind of employer down there, just to live off of the people.

Senator SMITH. What I am trying to get at is continental United States, leaving those special areas aside for special treatment. But here you think we could have uniform wages all over the country so there would be no competition in the labor market at all, and that all of the competition would be in efficiency and——

Mr. MCDONOUGH (interposing). I think it would be wonderful if they had the same wages, it doesn't make any difference whether North or South, and those same classes of employers would be incited to be better managers.

Now as it is, a factory can go to a certain part of the country, and with no inducement to manage better, get a cheaper production by paying these lower wages. That is the reason they move there.

Senator SMITH. I agree with you that that is most undesirable. There are certain conditions that have grown up in certain parts of the country, and whether you can change them overnight by changing this minimum wage, that is one of the things I am not sure about.

Mr. MCDONOUGH. I think that might stop a lot of plants that have moved there, or intend to move there, from going down there, remaining where they are. They just move from the North down to the South because they pay lower wages in the South, which means that the people have a lower standard of living, because any person goes to any place in the South and it costs just the same to live there as it does here, if you live the same way.

Senator SMITH. Now, let me go to another classification, and that is the farmer. Are you including the farmer there?

Mr. MCDONOUGH. No; I am not.

Senator SMITH. There is a real problem, because he has got to compete in the labor market with industry.

Mr. MCDONOUGH. That is exempted.

Senator SMITH. Yes; but we have to deal with it or the farmer won't be able to get any help at all, if a person can go to industry and get a minimum wage which is higher than the farmer can pay.

Mr. MCDONOUGH. As the world goes on, everybody can't work in industry. The farmer will still have labor that he can obtain; everybody can't work in industry.

Senator SMITH. I am from New Jersey, and I have a great many farmers in my State, and they are quite concerned about this being put at a figure which would prevent them from getting labor on the farm.

Mr. MCDONOUGH. It might be a good thing for the farmer to pay 65 cents an hour, too.

Senator AIKEN. There are not many farmers that are paying less than the minimum wage now, I believe, but what concerns them is probably that they feel they will lose exemption on the overtime provision, and certain kinds of farm help have to work long hours during the day. I think that through the Northeast, farm labor is receiving as much or more than the lower-paid industrial labor receives today.

Senator TUNNELL. There is just one other thought. California is considered a high labor market, isn't it?

Mr. MCDONOUGH. Yes; it is.

Senator TUNNELL. Have you been able to compete with your products, with the products of other sections of the country where the standards of wages are lower?

Mr. MCDONOUGH. I might tell you this: There were 23 manufacturers making these invasion boats, and they made them on the west coast, they made them on the south coast, and they made them in the Mid-Western States. I think I can state without any fear of being disputed that I paid the highest wages in the country, and made the lowest price. You can check that up with the Navy. In fact, if you notice in the foreword to my remarks I state that we used to get $25,600. We made the boats 6 feet longer and my last price was $11,800.

To show that there is something in management, in the Mid-Western States they made them on the Mississippi River, and they were never able to meet the Pacific coast prices where the wages were higher.

Senator AIKEN. Where did you get your steel?

Mr. MCDONOUGH. And we had to bring the steel—they had that advantage—we had to bring the steel from the east coast or from Chicago and pay a higher shipping cost.

Senator AIKEN. How did it come from Chicago?

Mr. MCDONOUGH. All-rail during the war.

Senator AIKEN. All-rail?

Mr. MCDONOUGH. Yes. Then in addition, the Navy had to pay approximately $1,000 an invasion boat to ship it out to the coast.

Senator AIKEN. If you had had all-water transportation, you could have built the boats still cheaper?

Mr. MCDONOUGH. Yes; it would have been much cheaper.

Senator AIKEN. If you had had the St. Lawrence Canal built, you could have built them still cheaper.

Mr. MCDONOUGH. Yes; and then you reduce the price of steel from $4 to $3.50.

Senator TUNNELL. I hadn't heard that they were going to run that canal west.

Senator AIKEN. We are going to make transportation cheaper, between Oakland and Chicago, anyway.

Senator TUNNELL. When you were able to make the same product in competition and did actually furnish that product at the lowest price, how about your profits?

Mr. MCDONOUGH. I will tell you about the profits. Last year I gave the Government back voluntarily $2,059,837.

Senator AIKEN. You say "voluntarily." How much did you give them involuntarily?

Mr. MCDONOUGH. Then I gave them $1,070,000 due to renegotiation. I am just showing you the profits. That is the reason we reduced the price, it was just exorbitant.

Senator TUNNELL. I wasn't trying to get you to say just how much you made, but whether you could produce the same thing at a lower rate, pay the highest wages, and at the same time make good profits.

Mr. MCDONOUGH. Yes; we made too much profit; not only good, but too much.

Senator TUNNELL. I am sure the Government felt gratified.

Has anyone else any questions?

Thank you, Mr. McDonough.

Mr. MCDONOUGH. Thank you, Senator.

Senator TUNNELL. Mr. Barkin is the next witness.

Mr. BARKIN. I see that you are director of research of the Textile Workers Union of America?

Mr. BARKIN. I am appearing here, members of the committee, on behalf of the CIO. I am chairman of the CIO committee on the revision of the wage and hour law, the revisions which you are here considering. I am here appearing, not on behalf of the textile union, which is my formal association, but in my capacity as chairman of the CIO committee for the revision of the wage and hour law.

Senator TUNNELL. You may proceed in your own way, Mr. Barkin.

TESTIMONY OF SOLOMON BARKIN, CHAIRMAN, CIO COMMITTEE ON S. 1349, REVISION OF WAGE AND HOUR LAW

Mr. BARKIN. Mr. Chairman, you have before you two documents. One is a statement and the other is a statistical supplement, both of which I have handed to the reporter. I do not wish to read the entire document but rather offer them in evidence and have them incorporated in the record.

Senator TUNNELL. You would like to have both incorporated in the record?

Mr. BARKIN. Yes. And I will rely primarily on a summary discussion of the contents, and hope that we can clarify any questions which still remain unresolved.

(The statements appear in the Appendix.)

Mr. BARKIN. We are very much concerned with modernizing the wage and hour law. The present law was characterized by the President of the United States as obsolete. We are here supporting the proposed revision in order to modernize it. In more customary language of the day we would also like to reconvert the wage and hour law to the standards which now prevail.

When I wrote this particular statement last week after some extensive estimates I was able to arrive at an approximation that under the present coverage of the Law, some 4,000,000 people would be affected, and that would represent about——

Senator TUNNELL (interposing). What do you mean by the statement that some 4,000,000 people would be affected?

Mr. BARKIN. In other words, 4,000,000 people would receive direct wage increases by reason of this Law.

Senator TUNNELL. In all lines of industry?

Mr. BARKIN. In all lines of industry covered by this law.

I am very happy to tell you, Mr. Chairman, that during the last week, and by reason of the current developments in the wage scene, I think that by the time your committee considers recommending this bill for adoption by the Senate, that that 4,000,000 will probably, be halved to 2,000,000.

Senator TUNNELL. Why?

Mr. BARKIN. Because, Mr. Chairman, I am happy to announce to you that our union, as one of a number of unions, has now consummated an agreement with the northern cotton textile industry for a 65-cent minimum, on Tuesday of this week. The one industry which hitherto has been the symbol of oppression, the symbol of substandard wages, is now at the 65-cent level.

Senator LA FOLLETTE. How many workers are affected by that agreement that will be brought up to 65 cents?

Mr. BARKIN. The present agreement is directly entered into between our union, the textile union, and the Fall River and New Bedford manufacturers, and companies located there that have other plants throughout New England, employing about 28,000 people. But we have contracts with companies employing 92 percent of all of the northern cotton-rayon textile workers——

Senator AIKEN (interposing). How far south does that cover?

Mr. BARKIN. That goes through Pennsylvania.

Senator AIKEN. What is the minimum below that line?

Mr. BARKIN. Well, I will come to that, Senator, in a moment. We have consummated the agreement in Fall River and New Bedford, and these plants, for example the American Thread Co., have plants in Connecticut and Massachusetts. They are bound by that agreement. The Berkshire Fine Spinning Co. has plants in Vermont, Massachusetts, and Rhode Island, so they are tied in directly.

Also I may announce that we have, the previous week, signed a contract for the rayon throwing and weaving industry in Paterson, N. J., for 65 cents; and only 2 weeks prior to that we had already, before we had gotten this agreement for 65 cents, negotiated contracts in the State of Pennsylvania for 60 cents minimum, which obviously will, in time, be subject to review by reason of this higher minimum, because we maintain, as Mr. McDonough has indicated, a uniform wage scale throughout the industry.

In the South we now have a 55-cent minimum and a 57½-cent minimum. That is, some mills voluntarily——

Senator AIKEN (interposing). What increase does the 65-cent minimum in the North represent?

Mr. BARKIN. An increase from 57 cents to 65 cents.

Senator AIKEN. However the northern mills, some of them, have been paying 65 cents, haven't they?

Mr. BARKIN. No.

Senator AIKEN. They haven't?

Mr. BARKIN. No—I mean as a minimum.

Senator AIKEN. And you have had an industry-wide contract with them up to this time?

Mr. BARKIN. We have had approximately an industry-wide contract. The major part of the industry, or the leading part of the industry, is located in these two communities, Fall River and New Bedford, and some of the concerns located there have plants throughout the rest of New England and everybody follows.

Senator AIKEN. You say that that has been the minimum. Has the minimum also had a tendency to be the ceiling?

Mr. BARKIN. No; we have a classified wage scale. For example, at the present time loom fixers—before the 65-cent minimum, got $1.02, and they will now go up to $1.10.

Senator SMITH. You say that the New Jersey plants are included?

Mr. BARKIN. Correct, they have a 65-cent minimum.

Senator AIKEN. That represents an increase of 15 percent in the minimum?

Mr. BARKIN. Approximately, but not that much overall.

Senator SMITH. Let me bring out this point. This was accomplished by collective bargaining?

Mr. BARKIN. Correct.

Senator SMITH. Which has always seemed to me to be the fairest approach to these questions. Do you see any danger to the whole principle of collective bargaining by our slowly moving the legislative minimum wage up?

Mr. BARKIN. On the contrary it is the best guarantee for free collective bargaining to provide a support for the freely negotiated rates which are secured through the collective bargaining process.

I might add that our union is probably in the best position to appreciate the importance of the contribution which the wages-and-hours law makes toward industrial stability, because without it I am sure that there would be a great many employers on the fringe who would be constantly eating away on standard wages and established wage terms in the industry.

Senator SMTH. Then you would suggest that probably the management of the better industries would be glad to see a floor put under wages too in order to prevent cutting by the fringe industries?

Mr. BARKIN. Correct. All progressive managements that realize the necessity of stable industrial relations which are constantly progressing and which share attitudes such as Mr. McDonough has expressed, favor it as soon as they become aware of the constructive effects of such action. A great many employers fear the action because they don't appreciate or haven't experienced the values and contributions which stable wage rates make. We have found in our experience that a suspicion which precedes an experience is soon erased by living under a stable wage structure.

Senator AIKEN. Mr. Barkin, are there any textile mills where collective bargaining does not prevail?

Mr. BARKIN. Correct. We do not have a 100 percent organization.

Senator AIKEN. And those mills that do not, that are not unionized and have no collective bargaining arrangements, could cut prices and wages, they could cut under their competition unless they were controlled by law?

Mr. BARKIN. Correct. They are a serious threat to industrial stability. One of the great virtues of our experience under the wages-and-hours law up to now is the great willingness of employers throughout the industry to accept the law, particularly because they say, "If my competitor is paying it, I am also willing to pay it." That is the contribution which this law has made in the past, and which your revision, in line with the proposed amendments, would make.

I should like, during the course of my comments to also make pertinent observations on the section of the proposed revision dealing with occupational rates above the minimum, on which I think I can make a substantial contribution to your knowledge and the background of experience with that type of problem.

Senator TUNNELL. Mr. Barkin, Senator Ellender is not present but he has at different times interjected questions with reference to the textile situation in the south. I am sorry he is not here——

Mr. BARKIN (interposing). I am too.

Senator TUNNELL. But I would like to hear you discuss that matter.

Mr. BARKIN. I am sorry Senator Ellender is not present, I hope he returns——

Senator SMITH (interposing). Might I ask one question? Mr. McDonough just suggested the advisability of an over-all standardization of wages throughout all industry. Do you share that view or do you think we will have to do it industry by industry?

Mr. BARKIN. I believe that you have to progressively move your minimum rate to a uniform level throughout the country. As you raise it, for example, up to 65 cents, you are taking our industry, or helping take our industry, and other industries, and bring them on a par with American wage standards. We had the drag of history pulling our wages down because we were an early industry. Our industry was the first American industry, and the drag of history kept our wages down. Newer industries appeared subsequently and effected more and more, by the general philosophy of American industry of higher wages, bigger markets, better workers, lower costs, more output, lower prices. Our industry was not motivated by or permeated with that kind of philosophy.

Now as our industry has moved ahead, and higher wages have come, that philosophy is beginning to permeate, and we need to bring our minimum up. I am fully in accord with the general proposition of a uniform minimum for industry, so that we can standardize at least the minimum rate of pay throughout industry.

Now the rates of pay above the minimum will vary among industries, because you have different jobs, different skills and different job values to contend with.

But to return to the problem that our friend Mr. Ellender might be concerned with, we have a particularly good case with which Mr. Ellender is intimately acquainted.

One of the plants in New Orleans, which the city did not particularly care to boast about, was the Lane Cotton Co. whose industrial-relations history has not been of the best. Back during the depression it was not unknown for that company to pay 10, 12, and 15 cents an hour. During subsequent legislation there was no company in the textile

industry which violated the NRA, the wage-and-hours law, the NLRA, and every other wage law, more continuously and more brazenly than did that company. There was no company in the city of New Orleans which was disowned more frequently by the other companies in the city than that one.

That company was finally unionized, and I am happy to say that that company now is paying a 55-cent minimum and we hope now, by reason of the law and our renegotiation of wages, to bring them up to the 65-cent minimum. That company is not keeping all its people at the minimum wage as it did years ago, and that company now is producing more cheaply than it ever did before, because what has happened is that management has begun to look into the mill, and has begun to see how its plant, its looms, and its spindles, and its twisters, are operating. It is wondering whether its machinery was broken or not, whether its aisles were clean or not, whether there was lighting in it—all of which affects production and cost.

And I know that Senator Ellender knows that our contribution in raising wages for the people of the Lane Cotton Co. has tended to change the reputation of that company. While it was one of the greatest delinquents in the war production in the textile industry, when we began to change the mind of that management, it increased its production. We raised its output, got people to come in to the plant, and that plant is beginning to look up as a self-respecting member of our industry and of the community of New Orleans.

Senator AIKEN. Mr. Barkin, you were speaking about the antiquated and broken machinery. Do you know whether it is true that just previous to the war many of the Japanese textile mills had more modern and up-to-date machinery than many of the mills in our own country? I have heard that from what I consider authoritative sources.

Mr. BARKIN. In the textile industry, in many of the processes, I would say their equipment was equal to ours. As a matter of fact they bought American equipment and revamped it to adapt it to the size of the Japanese people.

Senator AIKEN. I have heard that they had, in some mills, equipment which was superior to ours, and of course superior equipment, plus slave labor, 7 cents a day or something like that, enabled them to cut into the market of almost every other country on the globe, whether that country had a protective tariff or not.

Mr. BARKIN. I am glad you raised that point——

Senator AIKEN (interposing). I don't say that that was general, but I do say that I have been told that in some of the mills equipment was found which was superior to that which we had in most of our mills.

Mr. BARKIN. There might be a little turn here or there but there was nothing superior. They have not advanced the art of textile manufacture beyond our levels. They adapted some of our equipment, but by and large they did not——

Senator AIKEN (interposing). They have equaled it, have they?

Mr. BARKIN. In many respects, but not all through the mill.

I would like to say this for the record, that the same increase which I have just spoken about in cotton, is taking place in the woolen industry where the employers are already voluntarily granting, and have granted, a 12½-cent-an-hour increase. It so happens that one of the large nonunion employers beat us to the gun and gave a 12½-cent-an-hour increase before we even raised the issue.

The synthetic rayon industry has given a 10-cent-an-hour increase.

I can therefore say, gentlemen, that before your committee votes on the recommendation to put this bill before the Senate, that there will be very few people in the cotton textile industry that will not have come up to the 65-cent minimum.

Senator TUNNELL. Are you familiar with those four plants, I believe it was, that Senator Ellender said had gone out of business in New Orleans?

Mr. BARKIN. That was in the men's clothing industry.

Senator TUNNELL. Oh, yes.

Mr. BARKIN. I could make a general observation about them but there are going to be witnesses who are going to recite that problem ad extenso, and are going to relate all the details of the specific history, and what the volume of production is. I think that after that recital—and I have read the recital—Mr. Ellender will also be joining with us in concluding that those companies have been benefited from higher wages, and that it has been a stimulant to them becoming better manufacturers.

Senator TUNNELL. But they are out of business.

Mr. BARKIN. No; they were just corporate reorganizations. In the clothing industry there are seasons, and it is sometimes desirable, for corporate and financial reasons, for a corporation to close down and reorganize the corporate structure between seasons when the plants close down for production purposes.

Senator AIKEN. Do you think that the fact that the textile industry has employed low-wage labor has discouraged the installation of modern, up-to-date, more efficient machinery?

Mr. BARKIN. I wouldn't put it that way. I would put it this way: that it has discouraged the employers from thinking.

Senator AIKEN. The result has been ——

Mr. BARKIN (interposing). The same.

Senator AIKEN (continuing). That many mills have never modernized?

Mr. BARKIN. Correct. I would put it this way. One of the most interesting experiences I have personally had during this war is to see the transformation of the minds and attitudes of textile management. The greatest contribution which this war has made to the textile industry is to open up the eyes of textile management to the fact that they are running a mill and that they don't just have equipment in the plant. They have begun to look into the plant, they have begun to see that they had workers there. When we got the 55-cent minimum in February of this year—and we were before your committee, you may recall, in January, when the issue was still unsettled—in February the wage increase, and by March it was in effect. And it was interesting, members of the committee. The War Labor Board decision affected only 23 mills, and over 95 percent of the industry has voluntarily complied with the War Labor Board decision, even though many of those plants are not unionized, because there is a feeling that competition must standardize, and that additional 5 percent may hurt the industry when a contraction in volume of production develops.

One interesting effect—those people got the increase—and what do you think happened? This is my own personal experience, eating and working with these people in the mills in the South and the North

and throughout the country. You would see the milk purchases increase in practically every single textile home. Food was improved. You could see the blood coming back into the flesh of these people, and all the employers in the industry attest to the new morale and the new application which is resulting from this general feeling of satisfaction and general feeling of, "Well, now we are getting some place, we are coming up from the low rungs where we were."

I would like to say, gentlemen, that there are other wage increases in the making now. As you know, they are not always negotiated with the same degree of rationality as has prevailed in our industry, and not with as much understanding of the problems. Very fortunately it is possible in our industry. The fact that we had to rise from such low levels and we have had to educate our employers to the meaning of wages and the fact that wages are not an obstacle to low costs, that they probably are more receptive to rationality. But we were able to negotiate freely.

Similar wage increases are taking place all over the country. Now those wage increases will reduce that 4 million estimate that I made probably before long to possibly 2 million, if not to a lower figure.

Senator TUNNELL. And in what industries will that reduction be, principally?

Mr. BARKIN. Well, we have an exhibit for you which you have seen previously, that contains the Bureau of Labor Statistics estimates of the distribution of employment at the present time. In our table XXIV here you will note that the largest single group of people below 65 cents in the manufacturing industries is in the textile industry, being at the present time 489,000 people. And as I said, that great chunk of 489,000 will practically disappear before long. Then there are 239,000 in the lumber and timber industry; 302,000 in the apparel industries; 276,000 in the food industries; 145,000 in the electrical equipment industry; and 119,000 in the chemical and petroleum and coal products industries.

Senator TUNNELL. I don't suppose you have statistics that would throw any light on the profits made in those low-paid industries, have you?

Mr. BARKIN. I do. If you will turn to table XXV you will note a column entitled "1944 profits before taxes," and the final column entitled "Additional cost to wage bill as percent of 1944 profits"—in other words, how much the wage bill represents of the profits of that industry during 1944. And you will note that the over-all cost will be 3.5 percent for all manufacturing industry, and varying percentages for the constituent industries, the highest being lumber and timber—42.9 percent.

Senator TUNNELL. I think we can work out what I was asking for from this table.

Mr. BARKIN. Correct.

Members of the committee, we now have a 55-cent minimum in American industry by reason of the War Labor Board decision in our case, and its general ruling. I want to call your attention to this fact, that the War Labor Board, in issuing that 55-cent definition of minimum wages, apologized profusely for having set it at 55 cents. It said in its own statement issued in conjunction with that ruling, that all the figures which they had before them justified a higher minimum but at

the time at which they issued it, they said, they did not want to go much further or be bolder because they could not compel uniform application of that minimum throughout industry. They could not reach all companies. They could only effect their will in dispute cases and in voluntary wage cases, but they could not affect the wages of an employer who did not want voluntarily to increase wages, or was not involved in a dispute.

Consequently they were cautious. They said, for example, in the decision affecting the textile case:

> "We do not want to raise wages beyond 55 cents because we are only affecting 54 companies in an industry where there are 1,200 companies. So we do not want to dislocate the competitive relationships among the industry. But if we could follow the dictates of the figures and our own findings concerning what it costs to bring up a person, to eliminate him from the substandard class, we would have raised wages beyond the 55 cents.

So that was a timorous, modest effort, in a period when the War Labor Board was under compulsion to restrict wage increases, and where it could not reach the company which did not want to conform to general wage standards. It took that step; and we urge you now, members of the committee, to recommend to the Senate the adoption of this proposed modernization and reconversion of the wages-and-hours law which the President of the United States has declared to be obsolete, and in that characterization we join.

You will find many industries, during the course of these hearings, graduating out of the below 55-cent level. You know those wage increases are taking place all over the country. I think you will contribute to industrial stability and rational labor relations in this country if your committee, even prior to the announcement of your support of the bill, or the enactment of the bill, would exhort American industry to observe this peg point or this guide point until this becomes a law, so that a summary and rational resolution of industrial disputes can be attained.

American industry and labor is looking for guidance and for a pattern of wage increases which would resolve the contending views of labor and industry at the present time. This law makes a contribution to establishing such a pattern and I hope that it will be possible for your committee to exhort American industry to observe this minimum in the new negotiations and in the new wage disputes which are taking place. With that guidepost you will help to resolve much of this tension at the present time, tension which is in great part created by the uncertainty of industry and labor as to what the proper resolution should be of wage levels in this postwar period.

Senator TUNNELL. This investigation itself is having some effect, isn't it?

Mr. BARKIN. We wish to say, Mr. Chairman, that your hearings were in no small part responsible for the rational and successful collective-bargaining negotiations which we have been conducting in Paterson, N. J., and in New England, where we have now consummated a 65-cent minimum wage.

Senator TUNNELL. Thank you. I am glad to hear somebody say we are doing some good.

Mr. BARKIN. Mr. Chairman, I think the good you have accomplished in our industry can be extended beyond if you could exhort

American industry, prior to this bill becoming law, to also observe it generally.

Now, Mr. Chairman, I don't have to tell you how much public support there is for this bill. You have read, and if you have not I have a copy here, of what the Gallup poll found to be the sentiment of the people which they interviewed. Of course one has to hesitate and say that they have interviewed a complete cross section of the American people. But nevertheless they found that the American people want the 65-cent minimum. I would like to put that into the record, Mr. Chairman, as an affirmative indication of the opinion and attitude of the American people.

Senator SMITH. What is the date of that?

Mr. BARKIN. August 18, 1945. It is very interesting. The question was:

If you were the one to decide, what minimum wage per hour would you set for business or factory workers in this State?

This was a Nation-wide poll. It states:

When replies of those who knew what the term "minimum wage" means were tabulated, the median average came out at 65 cents per hour.

Members of the committee, I think that this Gallup poll itself speaks of the unarticulated desires of the American people, and this covers both industry and labor, you know, that very wide cross section.

As I say, I would like to have that included in the record.

Senator TUNNELL. That may be done.

(The article referred to is as follows:)

[From Public Opinion News Service]

For Release Sunday, August 19
or Monday, August 20, 1945

PUBLIC FAVORS IDEA OF SETTING MINIMUM WAGE RATES AT 65 CENTS

FEWER THAN ONE OUT OF FOUR AMONG INFORMED GROUP KNOW WHAT PRESENT MINIMUM RATE IS

(By George Gallup, Director, American Institute of Public Opinion)

PRINCETON, N. J., August 18.—One of the major problems which will face Congress when it returns to take up matters of reconversion is that of raising minimum wage levels.

A bill to raise the minimum wage to 65 cents per hour has been introduced into Congress by Senator Claude Pepper. The bill is in the form of an amendment to the Fair Labor Standards Act of 1938.

In order to probe public opinion on the whole problem, the institute had field reporters put four questions to a scientifically selected cross section of the country—a cross section so designed as to reflect accurately the views of all adults of the Nation.

The first of these questions was:

"What does the term minimum wage mean to you?"

Fewer than half—48 percent—said lowest legal wage or lowest wage. Twenty-two percent gave incorrect answers. Thirty percent said they did not know.

Among people who attended college, 75 percent gave a correct answer; among those with no more than a grade school education, 32 percent gave correct replies.

The second question was asked to find out how many know what the present legal minimum wage per hour is at the present time:

"Do you happen to know what the minimum wage rate per hour throughout the country is now?"

Among people who gave a correct answer to the first question, 23 percent replied: 40 cents. Forty-five percent said they did not know. The median average of replies is 45 cents per hour.

The last two questions sought a measure of public thought about what minimum wage rates should be and about the amount proposed in the Pepper bill. The first of these:

"Would you favor or oppose making the minimum wage 65 cents an hour for all workers in business and industry?"

Among persons who know the meaning of the term "minimum wage," replies added up as follows:

	Percent
Favor	56
Oppose	32
No opinion	12

When replies are broken into two main groups (1) wage and salary earners (white collar and manual workers) and (2) employers, executives, and self-employed (business and professional people, small business owners, and farmers) marked differences are found. This is shown as follows:

	Percent
Wage and salary earners:	
Favor	63
Oppose	25
No opinion	12
Employers and self-employed:	
Favor	48
Oppose	41
No opinion	11

The final question was used in a completely separate survey, in which an entirely different but comparable cross section was asked:

"If you were the one to decide, what minimum wage per hour would you set for business or factory workers in this State?"

When replies of those who knew what the term "minimum wage" means were tabulated, the median average came out at 65 cents per hour.

Replies of the employer and self-employed group on this question came out at a median average of 60 cents per hour, while replies of the wage and salary group averaged out to 75 cents per hour.

Mr. BARKIN. I do not have to tell you, members of the committee—because you have had hearings previously and the statement which I am filing with you is a rather extensive one on the subject—of the ill effects of low wages. But I have one statement which I would like to make, just one sentence that I would like to read. It is a bit dramatic but I think it summarizes the problem and the challenge. We are asking for a reconversion of the wage and hour law, and I say a country with a national income of $64,000,000,000—which was the national income in 1938—set a 40-cent minimum wage. A country with a national income of $160,000,000,000 I am sure you will agree can set a 65-cent minimum wage. We say that the times are as wide apart as that, we have progressed that much—64 billion national income to 160 billion national income, 40 cents—65 to 75 cents in 2 years.

I think America is able to support it. It is an inescapable obligation of the American people to use their resources to eliminate the tragedy of substandard conditions.

Just one word about the old law. Several members of your committee participated during the hearings on that law, Mr. La Follette and Mr. Ellender I recall definitely in the cros-examination, and many witnesses appeared before you explaining the need for the law. I think you will agree with me that when you recommended that law that this was a summary of the kind of sentiments that moved you. You believed that it was a first step taken to provide a stopgap for a crumbling wage structure, to lift the more backward sectors of American industry to some degree of stability at a relatively tolerable

level. That is what the 1938 law was. You will recall that the depression was on us, industry was trying to cut wages, the NRA had passed, people were violating NRA standards, people were trying to break wages all around the country, and the wage and hour law was passed on the plea before your Senate and House committees, "Let's have a wage and hour law to prevent us from getting back to the depression." People were asking for props to a crumbling wage structure, and an oncoming depression.

Well, it was right in there, as the law was passed. You will recall that the hearings were held back in '37 and '38. Gentlemen, we have got to support the present wage structure at 65 cents or else we are going to have trouble because a crumbling wage structure means contracting purchasing power and all the good resolutions of a full-employment bill will come to naught. Those who fear that a full-employment bill means more Government expenditures will have their fears realized.

There is only one way of having a full-employment bill or having full employment and a minimum of Government expenditures, and that is to be sure that there is a purchasing power which will replace the Government check. That is the equation. Dollars in the hands of the people instead of dollars in the hands of a Government buying officer. And if you are going to do that the first step is this kind of legislation.

Senator SMITH. I would like to ask a question right there. You said a minute ago that the jump from $64,000,000,000 income to $160,000,000,000 was an indication, we will say, of increasing production and wealth of the country, and therefore the higher wage was justified on that basis. Is there anything in the point that that is indicative of increasing the level of costs, a higher cost of living? A mere dollar advance doesn't help unless it reflects itself in what people can buy. We don't want to see inflation, in other words.

Mr. BARKIN. Correct. I think that much loose thinking has taken place. I think Mr. McDonough's practical experience eloquently displayed and emphasized the dynamics of modern industry more than all the statistics in the world could do. Here is a man talking out of the wealth of his own personal experience. But if I were to reduce this to the more academic and summary manner what would I get? Every time there is a wage increase management looks around, and what does it do? Management investigates. "Well, sometimes I am going to absorb that wage increase through my profits." Let's assume that that is one case——

Senator SMITH (interposing). Through price increases?

Mr. BARKIN. No; through profits. You may recall, Mr. Smith, that in 1938 the U. S. Steel Co. was threatening a wage reduction because it was losing money, it said, or its profits had declined. It was talked out of it, out of making that wage reduction, by the United Steel Workers and by the President of the United States. It kept it, it shouldered it, there was no price increase. It kept prices and wages stabilized. In 1941 there was a wage increase for the steel workers; there was no price increase. Wage increases do not result in price increases. As a matter of fact a very interesting study was presented to the TNEC back in '38 and '39, to that committee that was studying our general economic life, a special staff study, which proved that

American industry price increases always preceded wage increases—price increases do not follow wage increases. The employer absorbs wage increases through profits from lower costs, better management, and better workers.

I am sure you have observed in your own personal life, that if you have eaten a good meal you are better disposed to work. I have seen it. All medical science proves that a full stomach—I don't mean an overfed stomach—but a well-fed stomach produces a satisfied worker, it produces a worker not distraught by tensions and uncertainties, not disturbed by the insecurities of life, and a worker better able to take care of his problems at home, and a better producer.

Senator SMITH. Let me get that. A better producer because of better conditions?

Mr. BARKIN. Correct. I, personally, in our own union have a department which is called the research department and half of our staff consists of engineers who——

Senator TUNNELL (interposing). Excuse me Mr. Barkin. It is now half past 11. We are not going to close now but I just wanted to remind you of the passing of time so that you can guide yourself accordingly. If you don't complete your statement this morning we will have to hear you again.

Senator SMITH. Are these points covered in your prepared statement?

Mr. BARKIN. The statement is a much more direct statement of these problems without this type of close analysis.

Senator SMITH. I want to bring this out because I feel myself that a raise in wages increases the productivity of the individual.

Mr. BARKIN. Correct.

Senator SMITH. And should not necessarily result in higher prices.

Mr. BARKIN. Correct.

Senator SMITH. I feel we must keep our prices down and distribute what we produce as widely as possible. Do you agree with me?

Mr. BARKIN. Senator Smith, that is the most important thing we have got to do. After all, if we are going to have a stable, full-employment economy, we have got to be sure that profits don't back up on us and find no outlet. Profits are exorbitant and huge—remember that profits now before taxes in 1944 were $25,000,000,000. That is not all the corporations made. They had liberal depreciation allowances, easy money terms, they had reserves of all kinds, they had carry-back provisions. All of those gave them a financial capacity such as they have never had in the history of this country, and they have got a place in which to absorb the wage increases.

Interestingly enough, before the present wage increase industry came into the OPA to ask for price relief. There was no wage increase then. Industry wasn't concerned about its effect on the economy. But a sane, coordinated view, shows that price increases are not necessary to accomplish most of the wage increases required by this particular proposal. We are getting our 65 cents in the cotton textile industry and it is not going to result in a price increase. The woolen industry is certainly going to go to 70 or 75 cents minimum and that doesn't mean a price increase. The synthetic rayon industry is going to go from 70 to 75 cents or higher—no price increase. The carpet industry is going to go up—no price increase.

Senator SMITH. You mean that there will be competition to keep it from increasing? You wouldn't want to have the Government control prices, would you?

Mr. BARKIN. No; but the competition itself will keep the prices there.

Now I would like to call your attention, gentlemen, to something we have repeated. The people themselves speak so much more eloquently than any figures can summarize. Low wages, as you know, mean poor health, inadequate medical care. We have several exhibits in this summary which are extraordinarily impressive.

Look at table VII, and these are facts. Your committee is interested in medical care. The States where people earn the least money are the States which have less doctors and inadequate hospital beds in relation to the population. Your deficit States, your black States, your bad States on medical care, are the States were people earn an inadequate income. Why do you have to have Federal supplements and subsidy grants? Because there are parts of this country where the people aren't earning as much as in other States. Why do you have State aid within the State, from county to municipality, for instance? Because there are some States where the people aren't earning a sufficient income. It costs the Government money to support an economy where people are not earning enough.

Close study shows that if you brought incomes throughout the country somewhere close to $2,000 a year, you could probably eliminate most of your slum problems, you could eliminate a good deal of your medical care problem, because people would then begin to buy these things on a free-competitive basis, and wouldn't have to depend on public subsidy.

In the Carolinas our mills are located in communities where there are no hospitals in the whole county except for a State clinic. They haven't been able to afford them. But I prophesy that after this war, as soon as money is available, hospitals will be built, in part by public money and probably also by private money, because our people are beginning to have money. They want medical care and there are going to be hospitals in those communities because we are going to demand them. People are going to have money with which to pay for them.

In some of our communities a doctor won't come to a textile worker unless the textile worker tells him over the phone that he has got money at home. He won't come to the mill village unless the worker reassures him that he will pay him cash immediately on the conclusion of his visit.

Senator TUNNELL. When you say "our communities," to what do you refer?

Mr. BARKIN. All through the textile communities of Georgia, Alabama, and the Carolinas.

Senator TUNNELL. You didn't refer to a particular place?

Mr. BARKIN. No; that is characteristic. The last story I heard was in Durham, N. C., a big community. The doctors won't come to our workers there unless they reassure him over the telephone, "We have got your fee."

Senator TUNNELL. That is where Duke University is; isn't that correct?

Mr. BARKIN. Correct; where there is the best medical care in the whole State of North Carolina.

We have quoted here Mr. Blandford of the Public Housing Administration. He knows what the slum problem is. He says that—

> the cancerous effect that substandard housing areas have upon the city's fiscal well-being is augmented by tax delinquencies. Not only do the substandard areas absorb a disproportionate share of the city budget, but in addition they show a higher rate of tax delinquency than other resident districts.

You know what it means to have a slum area in a community. It costs the city money and it costs our economy money, to have substandard workers. They are not producing. Back in the twenties you may recall that we talked about the "scrap heap at 40." I happened to study that problem for the Legislature of the State of New York, made a study, and prepared a legislative document on that subject.

Senator TUNNELL. Did that "40" refer to people's age?

Mr. BARKIN. That is right. The "scrap heap at 40" was the problem. Why? There were several reasons. There was no purchasing power. Industry's productivity was rising during the twenties and peoples' wages stood still, and the prices remained stable. The industry didn't give lower prices.

You know Brookings Institution, which has appeared before you—a very conservative organization—has pleaded with industry since 1933, "If you are making money and it costs you less, don't put it in your own coffers—reduce prices." And industry has laughed.

Senator SMITH. Well, you agree with that philosophy, do you not?

Mr. BARKIN. Yes; but there is no action on the philosophy. It remains a document on the shelves of the Brookings Institution, and American industry hasn't followed it. It is one thing to have a philosophy and another thing to depend on industry to act on it.

When costs decline we can only depend on it in a free competitive economy, and you know we don't approximate that in most of our industry.

Senator SMITH. You would like to see wages more or less standardized but the benefit to the people comes through keeping prices down and wider dissemination of goods?

Mr. BARKIN. No; I want a continuous rise of wages, I want a continuous rise in our national income, and I want a continuous correction of excessive prices. That is the economy we want and that is the only economy which will give us an approximation of full employment.

Senator SMITH. Well, of course it all has to be related.

Mr. BARKIN. Correct.

Senator SMITH. I want to see a cooperative effort between management and labor leadership to bring these things about without having this warfare between them.

Mr. BARKIN. That is what we would like to see.

Senator TUNNELL. We will have to recess about 5 minutes, Mr. Barkin.

Mr. BARKIN. Very well, sir. One of the things we are concerned about in our national position is our population, and I have recited here the facts on that subject which certainly indicate that you are not going to maintain your population growth on any wage which is substandard, which is below the 65 to 75 cents an hour.

78595—45——20

Senator TUNNELL. Well, is the increase in population in various sections of the country in proportion at all to the wages?

Mr. BARKIN. No.

Senator TUNNELL. Is it an inverse proportion?

Mr. BARKIN. Yes. Here is what happens, and I have spelled it out in the text of my statement here. It is an inverse proportion. The people at the poverty level generally have large families. Then there is a drop and then after a certain point there is a rise again. In other words, when you graduate out of your substandard group the young family is insecure unless it has got a pretty handsome wage. As soon as it attains any degree of security the normal family desire is to establish a family. Now what you will find is that just as soon as some degree of well-being is established, the family is started. Now if we raise wages to that degree of security we will overcome the old deterrent to population, the expansion of our country, which has come from the insecurity of inadequate wages.

We say also to the Middle West, the South and the Far West, "Remember, unless you have adequate wages your areas will not grow."

I know in the South, with which I have been associated now for many years, that we need wages to build up a middle class to build business. There is no middle class in the South; there are no private enterprises. You go into textile communities in North Carolina and South Carolina, and there is nobody there but the mill owner, his mill store and the worker. Doctors can't come there, businessmen can't come there. There is no place for private initiative because there is no one to buy, there is no one to service. The mill is the only person in the community and that is not a free competitive society.

I have also spoken to you about the need of wages for our full-employment economy. The Department of Commerce, which is not associated with the labor movement, has made certain studies on what affects retail sales, and in one of their surveys which appeared in October, entitled "1944 Retail Sales and Consumer Incomes," they have a very interesting chart. It is a straight line. That simply means the more income there is in the hands of the consumer the more retail sales there are. You don't have retail sales unless the people are buying.

I would like to introduce that into the record.

Senator TUNNELL. That may be done.

(The document referred to appears in the Appendix.)

Mr. BARKIN. Mr. Chairman, there are two additional thoughts I would like to state which are very important.

Foreign trade is not going to support a permanent economy in this country. We have got to have a buying power that will buy the imports, and unless people have income they won't buy. You can't conduct foreign trade by exporting and lending. You have got to buy. Unless you have purchasing power in this country you are going to stop foreign trade sooner or later.

Senator TUNNELL. Do you think exports should equal imports?

Mr. BARKIN. I say this, that for a few years we are going to have to lend——

Senator TUNNELL (interposing). You said that exports were not going to support the economy, but don't you think that exports aid, and that there should be exports equivalent to imports?

Mr. BARKIN. Correct. We are going to find that during the next few years we are going to have to lend both money and goods abroad. But sooner or later we want to have that back. We have got to have buying power in this country to buy those goods. If we don't have high wages in this country we won't be able to buy the things people sell. Then we will go back to the 1929 debacle that helped to create the depression.

One further consideration. The savings of this country are not in the hands of the workers. I quote this statement from Business Week, and Business Week is a McGraw-Hill publication and you can't associate it with the labor movement. They made the statement in Business Week of February 24, 1945 that 80 percent of the individual holdings of Government bonds, which constituted $49,000,000,000 out of the $210,000,000,000 debt at the time they made the survey, that 80 percent of the 49 billion was in the hands of the upper income groups.

The United States Department of Agriculture made a survey in Birmingham, Ala., and in Illinois, a field survey, as to who had the cash in this country. It is not the low income group. You can't depend on your savings during the war to keep your postwar economy, because those savings are in the hands of business, those savings are in the hands of unincorporated businesses, incorporated business, in the hands of financial agencies, in the hands of insurance companies. They are not in the hands of the workers of this country. I can't impress that conclusion too seriously upon you, I am simply pointing that out as a very important fact.

Senator TUNNELL. It would be interesting to know what proportion of the savings are in the hands of the workingman. I believe our deposits are now 144 billion dollars. I know that banks with which I am acquainted have increased their deposits wonderfully, and a reasonable proportion of that is from the lower income group.

Mr. BARKIN. They have increased, no one is denying that, but the proportion of the total is small. People are talking of the total amount of money that is available in savings for postwar economy. On inquiry you find that, for example, in December 1944 the total liquid assets in this country were 193.6 billion dollars, an increase of 120 billion from 1940. Now what happened was that those liquid assets are primarily business assets, whether incorporated or unincorporated businesses; banks, trusts—they are not primarily in the hands of the workers or the general buying mass who will support a postwar economy.

Senator TUNNELL. Are you near enough through now, Mr. Barkin, so that you can either submit a statement other than the ones you have already submitted, or do you feel that you have pretty well covered the ground?

Mr. BARKIN. Mr. Chairman, our union is going to appear again before you through the person of the acting president of the union—the president of our union is in Paris right now—and at that time I shall also be glad to present any additional data required and to answer any further questions in connection with this presentation.

However, I would like to have these two documents, my statement and the supplementary data, incorporated in this record.

Senator TUNNELL. Yes, both of those documents will be incorporated in the record of this hearing.

It is 10 minutes of 12 and we have a special occasion over in the Senate this noon, so I think we had better adjourn at this point until Tuesday morning at 10 o'clock.

(Whereupon, at 11:50 a. m., the committee adjourned until Tuesday morning, October 9, 1945, at 10 a. m.)

(The documents referred to are in the Appendix.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

TUESDAY, OCTOBER 9, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 301, Senate Office Building, Senator James M. Tunnell, presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will come to order.

Mr. Bowden, will you give the stenographer your name?

Mr. BOWDEN. My name is R. B. Bowden. I am executive vice president of the Grain & Feed Dealers National Association.

TESTIMONY OF R. B. BOWDEN, VICE PRESIDENT, GRAIN & FEED DEALERS NATIONAL ASSOCIATION

Mr. BOWDEN. As I said before, I am executive vice president of the Grain & Feed Dealers National Association, which has headquarters in St. Louis, Mo.

This national association customarily acts as the clearing house on national affairs for 28 States and regional associations in the grain and feed trade, and additionally represents more than 1,000 direct members.

It is the only national association speaking for country grain elevators in all of the surplus grain-producing areas. Elevators which we represent are largely privately owned, although many cooperatives are direct members or members of our affiliated associations.

Our principal concern in S. 1349 is your proposed elimination of the section 13 (a) (10) exemption now provided in the Fair Labor Standards Act of 1938. The amended language which you propose for section 13 would place all of the 14,000 country elevators of the United States under the coverage of the act. For the past 7 years most of these country elevators have been considered by the Administrator as exempt from the wage-and-hour provisons. We believe it is quite generally recognized that no other business operation—except an operation performed on the farm itself—is closer, in its effect upon the producer of grain than is the country grain elevator. It is our desire here to point to what we think will be some of the effects of this proposed amendment to the Fair Labor Standards Act. Our position is in opposition to the removal of section 13 (a) (10) of the act.

If employees of these country warehouses—or elevators—are placed under the coverage of the act, the cost of additional wages naturally must come from only a few sources. To explain this: First, about one-third of the Nation's country elevators are cooperatively owned by farmers, so that as you increase the operating costs, the increase will be taken directly from the farmer. In privately owned elevators, any added labor cost must come from one of two sources, either from the present income of the operator, or from an additional margin to be taken by the warehouseman when buying grain.

A country grain elevator operator has only a few sources of income; from warehousing or storage, from services such as handling or elevation, from the purchase and sale of grain, and from side lines. Under this bill there still is exemption for an employee engaged in strictly retail selling of side lines, so the employees engaged in purely grain elevator duties would get any wage increases from either the service charges, from the operator's profits, or from the extra margins taken in grain purchases.

Let us take the services first: In many States there are laws setting exact rates for these services; that is, maximum rates; and these rates generally are those in force many years before the war and based upon prewar price levels.

Senator TUNNELL. You mean that in many of the States there is a maximum wage rate?

Mr. BOWDEN. No; the State legislatures commonly put a maximum rate on the service which the elevator performs, a service such as warehousing, storage of the grain, handling of the grain, and other such services. Some States put an exact rate on those services that is neither a maximum nor a minimum. It is an exact rate.

Even where there is no State or legal rate, the OPA regulation No. 165 makes it generally impossible for the warehouseman to increase any service charge. In recent years a considerable volume of grain has been handled for the Federal Government—Commodity Credit Corporation—under what is known as the uniform grain-storage agreement. These limits on service charges will not be changed except under the doubtful chance of State legislation or amendatory action by a Government agency.

Therefore, there are left two items against which any wage increases can be charged; against the present income of the warehouse operator himself, or against additional income from an increased buying margin on grain.

Obviously the increase cannot be absorbed in elevator operation, as it might be absorbed in some industry where labor is a smaller fraction of total cost. It is estimated that the labor cost in a country elevator runs between 50 and 60 percent of total operating cost in years of normal grain marketing. Your bill proposes to increase this minimum labor rate by 62 percent in the first year, by 87 percent in the third year. This increase obviously cannot be buried in the present cost of operation.

Senator TUNNELL. Are those old rates that you are speaking of?

Mr. BOWDEN. The rates governing our service charges?

Senator TUNNELL. Yes.

Mr. BOWDEN. Yes; practically all of those rates are prewar, except, may I say, in the States of Utah, California, Idaho, Washington, and Oregon, where the rates were changed during the war to conform to the uniform storage agreement rate set by the Federal Government before the war.

Senator ELLENDER. How does that affect the wages?

Mr. BOWDEN. I am afraid I don't understand you.

Senator ELLENDER. How did that change affect the wages? Did it increase them?

Mr. BOWDEN. The Office of Price Administration allowed an increase of the handling charges, not the wages, and the storage charges in those Western States to conform to the rate that had been set by the Government in a uniform grain storage agreement. It merely permitted and made legal the rates which the Government had set up.

Senator ELLENDER. As to the wages that you were paying prior to that time, did you increase those thereafter?

Mr. BOWDEN. I cannot answer that question for the Pacific coast.

You will ask if this increase can be taken from the warehouseman's earnings or profit. We know that some country elevators now are paying straight wages of 40 cents per hour or more. But most of the employees are not now under the wage and hour provisions of the act, so overtime is not now a general problem.

Senator TUNNELL. I wonder what the argument was for the change in rates.

Mr. BOWDEN. In the Pacific coast area?

Senator TUNNELL. Yes.

Mr. BOWDEN. As I remember it, and I was in the meeting where they appeared before the Office of Price Administration, it was based upon their change of structure out there. They used to have what they call flat houses on the Pacific coast where grain is bagged and stored in bags in the warehouses.

In the last 5 to 7 years, it has changed from about 60 percent flat houses to less than 5 percent flat houses, so that all the grain is now handled in what they call bulk handling out there. So they practically made a new rate based upon a new and different type handling of grain. And this rate on the Pacific coast is generally still lower on those services than the rate prevailing through the Middle Western States.

Senator SMITH. Have you any figure in mind that would meet your peculiar situation? I mean, an absolute figure, not a percentage figure.

Mr. BOWDEN. Yes; we could give you a figure like that if we knew the purpose of the bill. If the purpose of the bill is to raise the general level in order that the national income may be raised to, say, around 140 billion, so we could pay off this Government debt, and all prices are raised evenly, and we are able to recapture our costs evenly, the wage level is not so very important to us. But if the motive is to redistribute wealth by taking away from one person and giving to another person without an increase in their income, then we want to point out to you just what is going to happen if you try to do that in this bill to country grain elevators, where wage rates are 50 to 60 percent of the total operating cost of the elevator.

It seems quite obvious to us that you cannot raise the wage rate that proportion, 87½ percent, and expect that to come out of the operators' income or profits. It just doesn't exist, and it never has existed.

With the passage of the amendment proposed here, the 40 cents per hour minimum would be increased by 62 percent, and the longer hours worked commonly in a country elevator would bring the added problem of overtime. The country elevator is not a 40-hour-per-week establishment; it is so close to the farm that its hours must conform more closely to the farmer's hours, especially during the harvest season.

We estimate that the average employee works, or is at the elevator, 56 hours per week; that he may work as many as 80 hours per week during the peak of a big harvest season. There will be weeks during the year when he is on duty perhaps for 56 to 60 hours, but will have little actual trade to handle, or work to do. Our concern obviously is more with overtime than with the hourly rate before overtime.

Thousands of these country elevators are in the one-crop high-risk areas of grain production, where volume of farm production and marketing has wide variations.

May I interlard here by saying that I think you will find that 50 percent of all country elevators are located in nine Midwestern States, and those Midwestern States are commonly States of high-risk production on some profits.

While the elevator owner may be able in a year of high production to pay wages more comparable to industrial wages, a year of low crop production in his community may make it unprofitable for him even to keep his elevator open. Wages in these elevators now are probably at their highest levels, mainly because the past 3 or 4 years, fortunately for our country, have been successive years of record grain production. We have never before had such years of volume of grain production in succession, due to weather factors. But in many of our grain surplus producing areas we must assume from the weather records of many decades, that there will return occasional years of low to very low grain production.

In most of these elevators the employees have been retained through the years of subnormal crop production as well as through the good years; because the functioning of the elevator is very important even when farmers have only a very small crop to market.

Senator TUNNELL. I suppose they have to work as many hours when the crop is small as they do when it is large.

Mr. BOWDEN. I don't believe that is commonly true, Senator. You mean during the harvest season?

Senator TUNNELL. You spoke of the 56-hour week, and I was wondering whether that keeps up all the year.

Mr. BOWDEN. We took a survey about a year ago on the hours worked in the country elevators, and found that the average employee worked about 56 hours per week the year round, because these elevators are located in very small country towns usually; and in the very small country towns, as you know, the general business, the grocery store, and the other stores of that community stay open during hours that are fairly comparable to the hours of the farmers.

Senator TUNNELL. That is what I am trying to get at now. Would the average week in your opinion run as high as 56 hours when the crop is small?

Mr. BOWDEN. Yes. They keep the elevators open. There would not be as much work to do each hour, but the elevator would be kept open. At least, the manager would have to be there.

Senator ELLENDER. Kept on duty?

Mr. BOWDEN. That is correct, sir.

I say it is important because in some States the elevator may not be closed without State permission. I have seen an auditor's report—this is a certified public accountant's statement—on 10 years of successive operation of 825 grain elevators in one area, the years being from one of our recent drought cycles. The average net profit per year per elevator was less than $30. Those were years when labor costs were very high in percentage of total operation cost. Greatly increased labor costs during those years, we believe, would have prompted the closing of many of these elevators, and the adding of employees to the lists of unemployed, as well as withdrawal of facilities needed by farmers.

In closing let me say that the country elevator industry is not an industry of large labor units. On an average throughout the Nation, less than two men are employed per elevator; in many elevators only one man is employed throughout the year. There is only a very small amount of so-called casual labor employed during the year. In each elevator one man is manager and usually is bonded. He is responsible and must be on hand at all hours when grain is received or shipped. Naturally, he must put in overtime during busy periods.

Concluding, we ask that the exemption provided in section 13 (a) (10) of the Fair Labor Standards Act of 1938 be retained for country elevator employees.

Senator SMITH. Is the elevator business largely a cooperative operation by the farmers in the area, or is it a business comprised of separate firms?

Mr. BOWDEN. The country elevators of America, 14,000 of them, are roughly one-third cooperative, one-third independent, and one-third line. By a line elevator, I mean where two or more elevators are owned by one concern. Some of the cooperative elevators, of course, will fall in that classification, too.

Senator SMITH. You would like to see the elevator business put in the same classification as farm labor?

Mr. BOWDEN. I wouldn't say that, Senator. I want to say this hesitatingly, because we do not want to take the position against good wages, or high wages. Our wages are high now.

I would be glad to give you some of these figures if you are interested. This testimony was given at a New York hearing by the farmers' elevators, that is the Cooperative Farmers' Elevators of Minnesota; and these figures were given, as I said, in the New York hearing.

Their survey showed that their managers in the small towns have an average salary, that is, throughout the year, of $226.62 per month. In the larger towns, the average salary is $295.32.

The second man, and the second man usually is the only other man in the elevator, learning his way up through the grain business to be a manager himself some day, in the small towns was being paid an average of $153.86, and in the larger towns $179.31.

In both the large and small towns, the very small amount of casual labor that was employed was shown as being paid during this last year 60 cents an hour.

Now, you will see that when we are paying men $226, $295 a month, overtime becomes the serious problem.

Senator ELLENDER. Over what period of time did those figures you have just stated come?

Mr. BOWDEN. I am sorry. I jotted these figures down from the testimony given in the case up there. I assume, from knowing the gentleman who presented them, that they came for the last year, because I know he took a survey. I can only assume that, Senator Ellender.

Senator TUNNELL. In your statement that the profits averaged $30 per elevator for the year, was there much variation? Did some of them lose?

Mr. BOWDEN. Over a 10-year period, Senator, covering 825 elevators, there were years when probably most of them made a pretty good profit. But there are other years when they lost so heavily that the average for the 10 years through this drought period would not be very high. I don't want you to understand that I am giving the best period; I am giving you one of the worst, and the type period that we may have to expect again some day.

But this certified public accountant's report showed that the net profit per elevator was under $30.

I gave the figures in a hearing recently, and if my memory serves me, the figure was $27; and I will say under $30 to be safe.

Senator TUNNELL. Can you give us any idea as to what the wage rate per hour was?

Mr. BOWDEN. Do you want the period before the war, or do you want the figures for the present?

Senator TUNNELL. During that period when you were making $30 in elevators per year.

Mr. BOWDEN. We have no figures covering that. I could make some personal observation estimates, but they would be only guesses, if you would care for that.

I think the wages range all the way from $100 a month up.

Senator TUNNELL. And you say they ran about 56 hours?

Mr. BOWDEN. About 56 hours per week; yes, sir.

Senator ELLENDER. But if this bill were enacted as written, how much more would it cost you to run your elevator? Have you any idea?

Mr. BOWDEN. Labor cost is about 50 percent to 60 percent of total cost in the average year. If you add 87 percent to the 50 percent, you can see what the additional cost would be. And a point I wanted to bring out, Senator, with our charges fixed for storage and handling, we have no way to recapture that, unless we take a very much wider margin whenever we buy a farmer's grain. And in bad years, even to come out evenly, we would have to take such a wide buying margin, I think, that farmers would say it would be completely unfair to the farmers to have you force that buying margin on them.

Senator ELLENDER. Suppose you get the commissions in the various States to raise storage rates, so that you can meet these additional wages, if this bill goes through, would you be able to state how much more it would be necessary to charge for the storage of grain?

Mr. BOWDEN. No, sir; I don't have any such figures.

Senator ELLENDER. Any additional storage charges would have to come out of the farmer, wouldn't they?

Mr. BOWDEN. Insofar as it could not be taken out of the warehousemen's earnings and profits.

Senator ELLENDER. I see.

Senator TUNNELL. Why do the elevator men have to stay there all the time? Are there continuous calls on them?

Mr. BOWDEN. I think there are many answers to that, Senator Tunnell. May I give you one or two which I think probably will direct you toward an answer?

In the last 15 years, especially, the grain-producing area has become very well covered with hard-surfaced roads, so that now where farmers used to drive in with a team and wagon for 4 and 5 miles, and start after the chores were done in the morning, it is literally possible for a farmer to start today very early in the morning and get to town and do some business and get back to the farm, 10, 15, or 20 miles off in time to start his morning's work.

Quite frequently, they have come in for a piece of machinery, when the hardware store opens, that they need for their binder or that they need for some piece of equipment; and they come in early to get that. When they come in, they will sometimes bring a load of grain, and they will come to the country elevator to buy binder twine, or some of the things they need.

Now, during the harvest season, it is obvious, if you leave grain in the field, it starts to shatter and fall to the ground; and when it is ripe, it must be gathered and gathered quickly, and the farmers literally work around the clock during those seasons. And the elevator man must work around the clock to receive the grain as it comes from the field, because the farmers have very little place to put it, no equipment to handle it on the farm and it must be rushed into this primary assembling point, in the nearby country station.

Senator TUNNELL. Are there any further questions, gentlemen?

Senator ELLENDER. I have none.

Senator SMITH. No.

Senator TUNNELL. All right. Thank you, Mr. Bowden.

Mr. BOWDEN. Thank you.

Senator TUNNELL. Mr. Nichols, I believe, is the next witness on our list.

TESTIMONY OF S. R. NICHOLS, NATIONAL COTTON COMPRESS & COTTON WAREHOUSE ASSOCIATION; ACCOMPANIED BY A. L. REED, SECRETARY-COUNSEL, SOUTHWESTERN COMPRESS & WAREHOUSE ASSOCIATION

Senator TUNNELL. Give your name and position to the stenographer.

Mr. NICHOLS. My name is S. R. Nichols. My home is Des Arc, Ark.

Senator TUNNELL. I didn't hear.

Mr. NICHOLS. My home is Des Arc, Ark. I am a compress operator in Arkansas.

I am speaking for the National Cotton Compress & Cotton Warehouse Association, with headquarters at Memphis, Tenn. It is an organization of the cotton compresses and cotton warehouses located in the cotton-producing States. For the season of 1944–45 the Commodity Credit Corporation listed as approved cotton warehouses for the handling of Government cotton 1,274 separate operating companies. The membership of our national association embraces approximately 600 of those companies.

The cotton-warehouse industry is a service institution; it is a labor turn-over organization performing services for the cotton producers

and cotton trade which could be performed by labor on the farm or by labor employed by the owner of the bale of cotton. The industry does not buy cotton, neither does it sell cotton. It is not engaged in the manufacturing business of any character. It has no control over the volume of business tendered to it annually for this is determined by the annual production and market demand for cotton and not by any sales effort or any other activity of the industry. In appendix A we reproduce a historical statement of the production of cotton by the United States and throughout the world.

In addition, we have shown the consumption for the same period of years and the stocks on hand in the United States as of July 31 each year. From 80 to 90 percent of the carry-over will be in storage in public warehouses; the rest in the consuming establishments.

The factors which control production and consumption control the volume of business which this industry may expect annually to receive from the cotton producers of the Nation.

At the outset we desire to say that we are opposed to the provisions of S. 1349. We wish it distinctly understood that our opposition stems not only from thoughts concerning our industry, but also from our thoughts as to what is best for the vast number of individuals engaged in the production of cotton on the farms who are our customers.

While we are only engaged in the handling, storing, and compressing of cotton, the way you are treating our industry necessitates our also discussing the producers and ginners of cotton and thus referring to two other segments of our economy, namely, the cotton farmer and the cotton ginner.

In order that you may have in mind all through our presentation the effect of the proposed law on this industry, we wish to point out that insofar as we are concerned you are not merely considering the question of raising the minimum wage, but are passing on the question of whether this industry will be subject to the Fair Labor Standards Act at all. Heretofore section 13 (a) (10) has exempted all employees engaged in the handling, storing, ginning, or compressing of cotton in the area of production from both the minimum wage and overtime provisions of the act.

In addition, section 7 (c) has granted immunity from the overtime provisions for all employers wherever located engaged in the ginning or compressing of cotton. Thus, up until the present time, no operator of a cotton gin or a cotton compress has been required to pay overtime, and those gins, warehouses, and compresses located in the area where cotton is produced have not been required to pay either the minimum wage or overtime. As all gins, all except one compress, and the vast bulk of the cotton warehouses are located in the area of production, it can be truthfully said that none of the employees in these occupations have been subject to the act. S. 1349 abruptly changes this; both section 13 (a) (10) and section 7 (c) are repealed; upon passage of this bill these employers are exposed to the full rigors of the overtime and minimum-wage provisions now proposed.

In all of our discussions here the following fundamentals should be kept in mind:

1. Every cotton compress stores cotton, and, is therefore, a cotton warehouse, but every cotton warehouse does not own a compress machine and is not, therefore, a cotton compress. When we speak

of warehousemen we are referring to both compress and noncompress facilities unless the contrary is expressly stated or indicated.

2. The compression of cotton is neither a manufacturing process nor procedure, but merely consists of reducing the size of the bale of cotton without any change in the state of the cotton itself. See appendix B.

3. We will, from time to time, quote from or paraphrase source material. When this is done we will, in the interest of time, usually refer to the base material by footnotes rather than stating the reference. With the committee's permission, a copy of this statement will be filed so that these references will be readily available.

Cotton is a peculiar commodity. As it is produced on the farm it is not suitable for consumption by the spinning mills for two very definite reasons. First, the lint must be separated from the seed. This is performed at the cotton gin and it is known as cotton ginning. Second, cotton consists of a large variety of staples and grades. The Department of Agriculture recognizes some 700 different combinations of grades and staples of cotton. The spinning mills consume this cotton in uniform lots of even running grades and staples. See appendix C. The average production per American farm is approximately 5 bales. It frequently happens that these 5 bales will all be of different grades and different staple lengths, although there has been some effort on the part of the Government to promote uniformity in the production of grades and staples. The grade is determined by the type of soil, weather conditions, conditions and factors beyond the control of man.[1] The staple length can be governed to some extent by the type of seeds planted.

Thus, it will be seen from the average production that the cotton gin performs in volume a service essential to the production and marketing of cotton and that the cotton warehousemen perform the next essential step in making the commodity marketable and available for consumption, namely, the gathering of large stocks of different varieties of grades and staples and the assorting of these stocks into uniform lots of even running grades and staples to meet the consuming mills requirements of 100 bale lots of the same grade and staple. Thus, the warehouse and cotton gin are essential to the production of cotton and are, therefore, a part of the general agricultural economy necessary for the production and marketing of cotton. See appendix D.[1]

It is obvious from the foregoing that in order to serve the producer and to provide these essential services the warehouse as well as the cotton gin must be located with peculiar reference to the farms that produce the cotton. It is not only a fact that the facilities of the warehouse industry are located close to the farms, but it is true that the warehousemen utilize farm labor in the performance of these services. The same labor that plants, cultivates, and gathers the cotton crop on the farm in between times performs the handling services involved in the warehousing, assorting, and distribution of the cotton into consumable lots for the cotton mills. An authoritative study made of the source of warehouse labor in one State found:

> The labor employed by Tennessee compresses for handling and compressing cotton usually comes from the farms or area about the compress.[2]

[1] The Compression of Cotton and Related Problems, U. S. Department of Agriculture, November 1940 p. 2.

[2] Cotton Compressing in Tennessee and United States, Agricultural Experiment Station, University of Tennessee, April 1, 1938.

This is particularly significant as most of the compress-warehouse facilities in Tennessee are located in cities such as Memphis, which is one of the largest cities in the South. While it is true that in the larger communities, such as Atlanta, Ga., New Orleans, La., Memphis, Tenn., and other cities of that character, the competition between the warehouses and the farmer is not as great as it is in the smaller communities, the competition is nevertheless present to a greater extent than most people would normally suppose. But even considering the facilities located in the larger cities, 99 percent of the warehouses are located in close proximity to the cotton fields and the farms that produce the cotton.

The Secretary of Agriculture, in his statement before this committee, testified that in his opinion the proposed bill would not increase the cost of farm products to the consumer. We concur in that statement, but it should be noted that the Secretary did not deal with the other phase of the effect of this bill, namely, who pays for the increased labor costs of warehousing and handling the cotton and the ginning of it—the consumer or the farmer.

It is a well-known fact that cotton has been, is now, and apparently will continue to be a commodity subject to a buyer's market where the seller is forced to absorb all cost of delivery. It is a known fact in this industry that the cotton merchants and the consuming mills purchasing cotton do so under fixed limits which result in the farmers of cotton absorbing transportation costs, warehousing costs, handling costs, insurance costs, and all of the other incidental items involved in the distribution of this commodity. When the export market predominates these factors are predicated upon freight rates to the ports of exportation; when the domestic market predominates, as has been the situation for several years, the freight rates to Columbia, S. C. determine the delivered cost and the amount of freight charge deducted from the price received by the farmer for the cotton.

This committee will find that the Department of Agriculture in fixing loan values deducts from the value allowed to the farmer under a loan the freight charges to Columbia, S. C., at the present time. Several years back freight charges to the ports were considered in connection with the production of cotton in certain States, but generally it is a fact that the farmer pays the costs whatever they may be.

Senator SMITH. That is because there seems to be an oversupply?

Mr. NICHOLS. Yes, sir. The oversupply has made it a buyers' market; and the costs have been passed back to the producer because of that fact.

Senator SMITH. The ordinary economic law seems to work very clearly.

Mr. NICHOLS. Yes, sir. Your committee will find that the Department of Agriculture, in fixing the values on cotton farms in the South will have to take that into consideration.

This industry cannot stand or bear the increased costs that would be imposed by S. 1349 and, therefore, they would have to be passed on to the farmer.

Senator TUNNELL. There is a subsidy on cotton, isn't there?

Mr. NICHOLS. Senator, there is an export subsidy on the cotton that is sold to foreign countries right at this time.

Senator TUNNELL. How much is that?

Mr. NICHOLS. I believe it is approximately 4 cents a pound, or $20 a bale at the present time. That is necessary in order to try to get American cotton into world channels at something near competitive prices. But you still don't get American cotton as cheap as foreign cotton.

Senator TUNNELL. The quality is about the same, is it, or is our cotton better?

Mr. NICHOLS. Generally speaking, American cotton is of very highest quality, possibly with the exception of Egyptian. We certainly produce better cotton than South America or India. But the difference in quality is not as great as the difference in price, as is reflected by the willingness of the farm spenders to use other ropes when there is a saving.

Senator ELLENDER. Now, that is assuming that you would have to absorb the labor costs.

Mr. NICHOLS. Yes, sir.

Senator ELLENDER. But you say the farmers will.

Mr. NICHOLS. I point out that our earnings are not sufficient to absorb it.

I would like to comment further that that earning of $2,400,000, roughly, $2,000,000 of that is nonoperating income that has accrued in the form of rental and other nonoperating items during the war. Many compress and warehouse facilities have been taken over by the Government in the storage of war materials; and there is only about $600,000 of operating income in that figure.

Senator ELLENDER. The point that I desire to make now is this: As you stated awhile ago, any additional costs would have to come out of the farmer's pocket.

Mr. NICHOLS. Yes, sir.

Senator ELLENDER. Now, can you tell us how much more would that increase the farmer's costs for storage?

Mr. NICHOLS. We figure, Senator, that that will increase the farmer's costs on an average of $1 a bale. There are, roughly, 12,000,000 bales produced.

During 1945 auditors employed by the Office of Price Administration checked the accounts of selected companies engaged in the cotton warehouse business for the purpose of determining ceiling prices for the industry. The companies were selected as representative of the industry. They, in fact, covered the most profitable and the largest operating companies engaged in the cotton warehouse business.

In appendix E, attached hereto, we have shown the results of this audit for 54 companies which are the only ones for which we have the segregated expenses of plant wages and labor costs. Also in this statement we have shown the results of the audit of the base period figures—1937 to 1942—for the same 54 companies. These 54 companies had on hand on May 31 approximately 50 percent of the cotton in storage. Therefore, they are representative of the largest and most profitably operated companies.

There is no definite information showing precisely what the minimum wage is in this industry at the present time. Prior to the war the minimum wage was approximately 20 cents per hour for unskilled labor. It is known from surveys conducted under the auspices of the War Labor Board that there are no companies that do not have some employees that receive no more than 50 cents per hour. The industry,

therefore, estimates that at the present time the minimum wage has risen to an average of 45 cents per hour. Wages for the skilled services have increased in proportion.

Senate bill 1349 will directly affect item No. 1 in appendix E attached hereto which is plant wages and labor costs. This composite figure for the companies servicing 50 percent of the cotton in storage would be immediately increased 45 percent by S. 1349 which means that the labor and plant wages would be increased for these 54 representative companies by $4,022,779 and thus completely wiping out their meager profits of $2,657,869. The increase to 75 cents per hour would add $5,953,712 to the labor bill. Neither of the above figures take into consideration the increases in general office wages and salaries, which would be brought about by the bill and, therefore, must be considered as minimum figures.

However, assuming the above to be 50 percent of the labor involved in the entire industry, it means that the farmers of the country will have to immediately absorb, as a result of this bill, an additional $8,000,000 out of the price which they receive for their cotton. Within a short time this would be increased to $12,000,000.

And $12,000,000 would be approximately a dollar a bale.

Senator ELLENDER. That is per year?

Mr. NICHOLS. Yes, sir; and that would be approximately 1 percent of the gross value of the bale cotton on the present market.

Therefore, while it may be true that this bill will not increase the cost of farm products to the consumer, it will obviously decrease the purchasing power of the farmer, the producer of cotton, by more than $8,000,000 immediately and $12,000,000 within 2 years if enacted in its present form. If we extend these provisions into the cotton ginning and other services allied with the production of cotton, the results far exceed the $8,000,000 and $12,000,000 which will necessarily and immediately be exacted because of the additional cost of warehousing and handling the cotton.

From the above figures it is clear that to the extent we increase the purchasing power of one man in our economic scheme we obviously decrease the purchasing power of another man; namely, the farmer.

Insofar as this industry is concerned, attention is specifically called to the enormous increases in plant wages and labor costs which has taken place since the 1936–37 season and as compared with the average of the base period, consisting of the 6 years ending in 1942. The base period figures are also contained in appendix E hereto.

The farmer is in no position to absorb these increases.[3] In 1943 the average gross revenue from cotton of persons living on cotton farms was $153.[4] Note that this was gross income. In 1942 the cost of production was close to two-thirds of the sales price.[5] These costs were at least as great in 1943. Thus, the net revenue would only be about $50 per capita.

Does the Congress want to further reduce this even by 1 cent? Particularly in the face of the Secretary of Agriculture's statement last year that—

> Even if farmers received parity for every pound of cotton that could be grown in the South, the incomes of a great many of them still would be too low to afford an acceptable level of living.[6]

[3] Hearings before the subcommittee of the Committee on Agriculture, House of Representatives, 78th Cong., 2d sess. (hereinafter called Pace committee hearings), p. 135.
[4] Ibid., p. 110.
[5] Pace committee hearings, pp. 45 and 119.
[6] Pace committee hearings, p. 95.

The Supreme Court of the United States has already pointed out[7] the reason for exempting industries, such as this one, from the Fair Labor Standards Act, is to protect the farmer, particularly the small farmer, against increased costs in services they need but cannot provide economically for themselves. Is the Congress now prepared to increase his costs and reduce his living standard?

As the farmer cannot now, except in rare instances, get the benefits of the Government loan or purchase programs unless he places his bale in the facilities of this industry where it is protected from the elements and insured against loss or damage by fire, is the Congress now willing to reduce the net return to him from these programs?

We think not.

As important as the above considerations are, there is still another and more far-reaching effect of the current bill. This is the effect which will be felt on farm labor. We have already pointed out the competition that exists between the warehouses, gins, and the farmer for the same labor.

The Secretary of Agriculture has pointed out that the increases that will be brought about by this bill will not be passed on to the consumer of farm products, therefore the only way these increases can be handled is for the farmer to absorb them. Statistics show that as late as June 1943, although daily farm wages had risen 86.2 percent over January 1941, the average for the United States was only $2.96 per day and for that portion of the Cotton Belt, excluding California, averaged $2.57 per day.[8]

For the 10-hour day customary in the farming country this is 29.6 cents and 25.7 cents per hour. Even allowing for some increase since that time the rates still will not be very high. A recent article pointed out 40 cents per hour as being a very high rate for skilled farm labor in the Cotton Belt.[9] This is true as ordinary farm labor is not even now being paid as much as 40 cents per hour. Obviously, with a rate of 65 cents per hour, not to mention 75 cents, the warehouses and gins will attract such labor as they need from the farmer. There is no need to discuss the well-known shortage of farm labor in any detail. It should suffice to point out that even with cotton selling around 22 cents per pound the farmer doesn't have the money to compete with industry in bidding for labor.

> Some areas have lost half of their labor supplies. Last fall, tens of millions of dollars' worth of unpicked cotton was left in the fields.[9]

Senator TUNNELL. Is cotton labor paid less than other agricultural laborers?

Mr. NICHOLS. Not in the South, Senator. I would say that all agricultural labor has about the same wage in the South, and I couldn't speak for the other fields.

Senator TUNNELL. I meant, in the same section.

Mr. NICHOLS. About the same; farm wages are about the same. Of course, cotton is the principal crop there.

Senator ELLENDER. In the case of gathering cotton, it is virtually all piece work.

Mr. NICHOLS. By the hundred, yes.

[7] *Addison* v. *Holly Hills Fruit Products Co.* (232, U. S. 607).
[8] Memorandum to Industry Committee No. 62, U. S. Department of Labor, Wage and Hour and Public Contracts Division, and the U. S. Department of Agriculture Farm Labor Report.
[9] Revolution in Cotton, Collier's, for July 21, 1945.

Senator ELLENDER. By the hundred pounds. Some pickers will make $2.50, and others make as much as $5. Of course, those $5 boys are mighty scarce, but still some of them do make that much at present prices.

Mr. NICHOLS. Yes.

For a number of years the labor cost of producing cotton has been about 60 percent of the total cost.[10] Even if the farmer only increased his hourly rate to 50 cents in order to meet the competition offered by the 65 cents and time-and-one-half scale of the gins and warehouses, his cost of production would equal or exceed his sales price of cotton, which is at the highest level in about 25 years.[11]

One of the strangest results of S. 1349 is that it will force the farmer in many cases to compete against himself for labor. This arises out of the fact that there has been a rapid increase in the number of producer cooperatives engaged in the ginning, warehousing, and compressing business. The proposed legislation would require the farmer to pay the employees he uses in ginning, warehousing, and compressing his cotton at least 65 cents an hour even though these are the same employees that form the labor pool for his farm labor and which he needs to obtain for less than 40 cents an hour in order to harvest his cotton and realize a profit.

We believe the fact that the present bill continued to exclude agricultural labor shows that there was no intention to increase the farmer's cost of doing business. We believe that the failure to understand that this industry is not of the industrial type, such as a steel mill or a garment factory, has resulted in an inadvertant proposal to make it subject to the Wages and Hours Act.

We trust that this committee will see fit to restore the former exemption granted to us in even more vigorous language. If it does not, it is our judgment that the industry will either dry up and vanish or materially restrict its services on a high cost level. This is not only because of the financial conditions mentioned above, but because most of the services we perform are in competition with the farmer. This arises out of the fact that the principal services of the industry are the handling and storage of cotton. Obviously, the purely warehouse facility receives no revenue from compression and statistics show that even the compresses only obtain about 30 percent of their income from this source.[12]

Records reveal that at least 10 percent of the farmer's cotton is stored on the farm prior to sale.[13] In other words, enough farmers perform their own storage and handling prior to sale to account for 10 percent of the total number of bales produced. At the present level of the industry's charges this is not feasible for the farmer unless he has a relatively large number of bales of cotton. As the charges of the industry increase as they would have to do in view of the increased labor bill, the industry would be subject to, it would become feasible for a farmer with a smaller number of bales to perform this service for his own account. However, it should be pointed out that 62.06 percent of the cotton farms produce five, or fewer, bales of cotton per annum.[14] It can be reasonably assumed that the smaller farmers

[10] Pace committee hearing, p. 119.
[11] Pace committee hearing, p. 45.
[12] The Compression of Cotton and Related Problems, p. 1.
[13] Marketing Practices in Producers' Local Cotton Market, U. S. Department of Agriculture, May 1938, p. 25.
[14] Pace committee hearings, p. 63.

will need our services. If our volume is restricted, necessarily our cost per bale will be higher and thus reflected in higher charges per bale to the small farmer. It should be obvious that we cannot continue to compete with the individual farmer when he is paying 40 cents for the same labor we must pay 65 cents per hour. This is particularly so because this is a labor turn-over industry and the cost of labor is such an important part of our operating expenses.

We submit, therefore, that the handling, ginning, storing, and compressing of cotton should be completely exempt from the Fair Labor Standards Act in the interest of both this inudstry and the cotton farmer. To do otherwise is to fly directly in the face of the persistent efforts of the Department of Agriculture and Congress to reduce the cost of producing and marketing to the farmer and an outstanding example of the left hand wiping out in one stroke what the right hand has accomplished over a period of years.

In this connection, we request that the amendment proposed by section 7 of S. 1349 be changed so that the amendment to section 13 (a) of the act will contain the following language:

(11) To any employee of an employer engaged in the handling, ginning, storing, or compressing of cotton.

The reasons for this are, first, as stated by the Administrator of the Fair Labor Standards Act, all ginning, compressing, warehousing, and assembling, with the possible exception of a small amount of warehousing, is conducted in the cotton-producing area.[15]

Second, the Administrator has shown himself to be totally unwilling or incapable of formulating a definition of the area of production of cotton. As early as May 1941 the Federal courts had declared the Administrator's definition of area of production void insofar as it pertained to cotton. On June 9, 1944, the Supreme Court found his definition void as to all commodities, yet the Administrator has not yet attempted to issue a valid definition of the area of production of cotton. Although every court, without exception, passing on the definition in relation to cotton has invalidated it, the lack of a clear-cut statement has caused confusion in the industry and has caused certain employees to spend their hard-earned money in futile attempts to maintain suits under the act.

The remedy to this situation is so simple that Congress should not allow this state of confusion to exist any longer, but should completely clarify it by adopting the language set forth above.

In this connection we call attention to section 8 of the pending bill which prescribes a 5-year statute of limitation. As the Supreme Court has said that the new definition of area of production when, and if, promulgated will be retroactive until the date of the passage of the Fair Labor Standards Act in 1938, many industries now find themselves in the position of having an enormous contingent liability for violations of the act. This arises out of their reliance on court decisions declaring the old definition void and the stubborn refusal of the Administrator to issue a valid definition. It would be totally unfair to these employers to allow a new definition to deprive them of their exemption and then penalize them for all actions taken in the last 5 years. Industries that have definitely known whether they

[15] Memorandum to Industry Committee No. 62, U. S. Department of Labor, Wage and Hour and Public Contracts Divisions, July 1943, p. 23.

were or were not under the act have been able to take such steps as were necessary to protect themselves against such a contingency.

No such an opportunity has been afforded to those employers affected by the area of production definition. We suggest that a 1-year statute of limitation be imposed similar to that now proposed by H. R. 2788 which is pending before the House Judiciary Committee.

In order to shorten our presentation we are presenting our objections to section 5 of S. 1349 in appendix F hereto. This should not be taken in any manner to mean that we do not consider the provisions of this section of vital importance to all industry. We respectfully request that the experience of this industry, as outlined therein, be studied by the Senate before making any decision upon the proposed section 5.

In closing we would like to suggest that if the Senate does not feel that it can exempt those few facilities outside of the area where cotton is produced, that it limit its exemption to those employers in the States and counties shown by the Department of Agriculture to produce cotton commercially. For your convenience we are tendering herewith a map prepared by the Department of Agriculture depicting the areas where cotton is produced and we have attached a list of those areas hereto as appendix G.

(The appendixes referred to are as follows:)

Appendix A

Cotton production and consumption, United States and world: Carry-over stocks in United States by crop years

Crop year [1]	United States		Production, world, other than United States [4]	Consumption, world, other than United States [4]	Carry-over stocks in United States [5]
	Production [2]	Consumption [3]			
1924 to 1925	13,627,936	6,193,417	11,530,000	16,541,000	1,609,848
1925 to 1926	16,103,679	6,455,852	12,135,000	17,712,000	3,542,560
1926 to 1927	17,977,374	7,189,585	10,942,000	18,489,000	3,762,367
1927 to 1928	12,956,043	6,834,063	11,934,000	18,608,000	2,536,472
1928 to 1929	14,477,874	7,091,065	12,403,000	18,687,000	2,311,988
1929 to 1930	14,824,861	6,105,840	12,035,000	18,769,000	4,530,429
1930 to 1931	13,931,597	5,262,974	12,268,000	17,169,000	6,369,953
1931 to 1932	17,095,594	4,866,016	10,753,000	18,023,000	9,677,754
1932 to 1933	13,001,508	6,137,395	11,447,000	18,514,000	8,164,634
1933 to 1934	13,047,262	5,700,253	13,873,000	19,902,000	7,743,695
1934 to 1935	9,636,559	5,360,867	14,174,000	20,119,000	7,208,477
1935 to 1936	10,638,391	6,351,160	16,192,000	21,178,000	5,409,389
1936 to 1937	12,398,882	7,950,079	19,101,000	22,688,000	4,498,848
1937 to 1938	18,945,028	5,747,978	19,684,000	21,825,000	11,533,439
1938 to 1939	11,944,340	6,858,426	17,147,000	21,649,000	13,032,513
1939 to 1940	11,815,759	7,783,774	17,153,000	20,702,000	10,564,170
1940 to 1941	12,564,988	9,721,703	18,014,000	16,820,000	12,165,752
1941 to 1942	10,741,589	11,170,106	17,356,000	14,286,000	10,640,291
1942 to 1943	12,819,506	11,100,082	15,183,000	13,790,000	10,656,952
1943 to 1944	11,428,747	9,943,370	15,798,000	[6] 13,836,000	10,743,969
1944 to 1945	[7] 12,230,053	9,575,829	14,872,000	[6] 14,424,000	10,335,141

[1] 12 months, beginning Aug. 1 of first-named year and ending July 31 of last-named year.
[2] 500-pound bales.
[3] American cotton in running bales. Foreign cotton in bales of 478 pounds net.
[4] Foreign cotton in bales of 478 pounds net. Rounded off at nearest thousands of bales.
[5] Running bales.
[6] Preliminary and partly estimated by governmental authorities.
[7] Preliminary.

Sources: Cotton Production and Distribution Seasons of 1943-44, Bureau of the Census, U. S. Department of Commerce; Cotton Production in the United States—Crop of 1944, Bureau of the Census, U. S. Department of Commerce; Agricultural Statistics, 1942, U. S. Department of Agriculture; The Cotton Situation, April 1945 and October 1944, U. S. Department of Agriculture.

Appendix B

The compressing of cotton means the reducing of the size of the bale from the size produced by the gin to a more compact package. When a bale of cotton is compressed to what is called standard density it is reduced to approximately one-half of the size of a flat bale and has a density of around 22 to 25 pounds per cubic foot. The dimensions of the average standard-density compressed bale are approximately 30 by 60 by 19 inches. When a bale of cotton is compressed to high density it is reduced to a size of approximately 20 by 60 by 18 inches and has a density of approximately 34 pounds per cubic foot. The flat bale has a volume of about 40.5 cubic feet, the standard compressed bale of about 19.2 cubic feet, and the high-density bale of about 12.5 cubic feet.

Appendix C

For explanation and broadly speaking the staple is the length of the fiber and the grade is the condition of the fiber. Under the standards established by the cotton trade and the United States Department of Agriculture there are over 700 different categories or classifications into which a particular bale may fall.

The consuming mills, however, purchase and use cotton in 100-bale lots of even running grades and staples, i. e., the same grade and staple. One description of cotton may be suitable for making sheeting but not for making towels, another description of cotton may be fine for towels but not sheets, and neither of these combinations may be safe to use in making cords to be used as parachute rigging. Thus it is necessary that facilities be maintained where large stocks of cotton can be assembled and sorted. It is not unusual to have to assemble 1,000 bales from a given area in order to get 100 bales of the same grade and staple. In view of this it is no wonder the Department of Agriculture states that our industry is "essential" in the marketing of cotton.[1]

Appendix D

The value of the services of the industry to the farmer has been succinctly stated by study made by the agricultural experiment station of the University of Tennessee as follows (pp. 33–34):

"*Value to farmers.*—Farmers often desire to have their cotton stored and compressed as near home as possible, as it permits them to inspect and perform the necessary services in connection with sale and delivery without the additional cost of intervening agents and excessive resale expense. If the cotton remains on hand at interior points, the farmer is free to sell his cotton into normal trade channels without additional cost over and above the initial amounts paid for handling and storage.

"When cotton is received into the compress warehouse, either flat or compressed from wagon, truck, or railroad, it is properly checked, tagged, weighed, marked, and sampled by Government-licensed samplers who are experienced in that line of work. The compress at once begins to perform the services previously performed by the carrier, protecting the producer against claims. The producer's cotton may be resampled while at the compress, and damaged cotton may be reconditioned. The compress company immediately assumes the risks of fire hazards and damage from the elements, although it is not liable or responsible except as otherwise required by the United States Warehouse Act and regulations thereunder.

"Such functions as typing for mills, assembling bills of lading lots as to destination order, and for one consignee at one destination from a large variety of origin points, collecting freight charges on cotton moving into compress, and other activities listed in the compress tariff are becoming more and more valuable to the cotton producer each year.

"Due to the fact that a farmer is able to concentrate his cotton near home a better feeling is created between the grower, the merchant, and in many cases the mill buyer, as it gives the farmer an opportunity to straighten out any differences, which would be difficult if the cotton were not concentrated at such interior points. Compresses are usually situated near large cotton markets, and are logical places for cotton merchants or representatives of cotton merchants to

[1] The Compression of Cotton and Related Problems, p. 2.

congregate when buying cotton for distribution to mills. This makes possible the highest competitive prices.

"The producer receives, at the time he deposits his bale in the compress, a negotiable warehouse receipt which is considered first-class collateral at banks. Under the Federal Warehouse Act, each year many thousands of receipts are issued which carry the grade and staple designation. The tendency is for this to increase yearly. Such warehouse receipts form the base of the Commodity Credit Corporation loans, since these receipts accompany the loan cotton class sheets at compresses. Cotton compresses under the 1937–38 loan plan are responsible for any variation between the classification when cotton is received at the compress and that fixed by the Bureau of Agricultural Economics, under which the Government will check cotton on which it makes loans."

Appendix E

Statement of operating results and certain specified expenses, season 1944–45 and average for 6 seasons, 1936–37 to 1941–42, inclusive; the figures having been audited by the Office of Price Administration

THE CURRENT FIGURES (1944–45 SEASON)

1. Plant wages and labor costs	$8, 939, 509
2. Cotton insurance	1, 577, 523
3. Total expenses	18, 671, 304
4. Gross revenue	21, 329, 173
5. Net revenue	2, 657, 869

BASE PERIOD AVERAGE (1936–37 TO 1941–42, INCLUSIVE)

1. Plant wages and labor costs	$5, 329, 430
2. Cotton insurance	969, 677
3. Total expenses	13, 574, 117
4. Gross revenue	16, 530, 534
5. Net revenue	2, 956, 417

Appendix F

Section 5 of S. 1349 in effect proposes to use industry committees to establish minimum wage standards for all of the job classifications within given industries. To anyone who is familiar with the variations in job contents and job descriptions between various members of a given trade, it seems almost preposterous to turn such a task over to such an inexperienced group as constitutes industry committees. We believe that our experience with committees of this sort will be illuminating.

As you know, industry committees have been provided for since the passage of the act for the purpose of raising the minimum wage from 30 cents to 40 cents per hour. This industry was placed under the jurisdiction of one of these committees. One hearing was held by the industry committee and at that time they considered the problems of this business simultaneously with a vast number of other enterprises. The official records of the Administrator of the Fair Labor Standards Act show that among other industries being considered concurrently were:

"Handling, packing, storing, preparing in their raw or natural state, first processing or canning of perishable or seasonal fresh fruits or vegetables.

"Storing of grain, soybeans, flax, and buckwheat in grain elevators.

"Receiving of grain, soybeans, flaxseed, and buckwheat into grain elevators.

"Certain branches of the decorative-greens industry.

"Storing and packing of nursery stock.

"Handling, packing, shelling, or other processing or storing of peanuts.

"Packing of unshelled, paper-shelled, or improved varieties of pecans.

"Drying, packing and storing of unshelled walnuts and filberts.

"Skinning of wild rabbits and other wild fur-bearing animals.

"Cleaning and processing of certain seeds.

"Receiving of raw shorn fleece wool at primary concentration points and country receiving stations.

"Certain operations performed on cigar leaf tobacco." [2]

It should be apparent to any one that there could be no conceivable relationship between the storing of cotton and the skinning of wild rabbits, or the shelling of peanuts. The industry committee consisted of 18 members, of which 6 represented industry, 6 represented labor and 6 represented the public. These were of course all chosen by the Administrator. Of the industry members, only one was from the cotton compress and warehouse field. Of the labor members only one represented a union which had any contracts with the compress and warehouse industry. Not more than 2 of the public members were even from States where cotton is produced. The committee convened at 10 o'clock on the morning of July 27, 1943, adjourned for an hour at noon and completed its deliberations at 6:15 the same day.[3] The information presented to the committee by the Administrator conceded that there was no reliable data to present to the committee concerning the cotton compress and cotton warehouse industry.[4] Yet, before the committee adjourned at 6:15 they had given such consideration to the problems of all of the industries outlined above and more in addition to such an extent that they were able, by the unanimous vote of the labor and public representatives, to recommend the establishment of a minimum wage of 40 cents in all of the above industries.

The above is not intended in any way to be facetious, but merely a statement of the facts. We do not believe that the members of the Senate realize that the procedures of the so-called industry committee are so inadequate and unfair that they would even put the so-called kangaroo courts to shame. Inasmuch as the proposed bill would provide for indentically the same kind of industry committees as established the 40-cent minimum wage for this and the multitudinous other industries, we see no reason to believe that the establishment of minimum wages for particular job classifications would be treated any differently.

If the Senate had any thought that there would be any detailed study of the question of wages for individual job classifications, we are afraid that they are doomed to disappointment. Just as in the 40-cent minimum-wage proceeding, the Administrator had prepared and presented to the industry committee precisely the recommendations he wanted written out to the last comma [5] the industry committee consideration called for under the proposed bill will be limited to meeting with the representatives of the Administrator who will have already prepared their idea of just exactly what should be done and this will be unanimously ratified by the public and labor members of the so-called "industry" committee.

It has always been our understanding that the purpose of the Fair Labor Standards Act was to impose minimum living standards for certain employees. This is accomplished by establishing a minimum wage. We know of no basis upon which Congress or anyone else can say that minimum living conditions for a man while engaged in loading or unloading cotton is 65-cents per hour, but that when he is trucking this cotton through the plant by use of a hand truck that his living conditions have so changed that he must then receive 85 cents per hour. We earnestly request that the Senate refuse to impose this additional straightjacket upon industry.

Appendix G [1]

AREAS THAT PRODUCE COTTON

(1) The States of South Carolina, Georgia, Alabama, Mississippi, and Louisiana.

(2) Any county in the State of Texas except the counties of Dallam, Sherman, Hansford, Hartley, Oldham, and Potter.

(3) Any county in the State of Oklahoma except the counties of Cimarron and Texas.

(4) Any county in the State of Arkansas except the counties of Washington, Madison, Benton, and Carroll.

[2] Memorandum to Industry Committee No. 62, p. 7.

[3] Informal hearing and meeting of Industry Committee No. 62, U. S. Department of Labor, Wage and Hour and Public Contracts Division.

[4] Memorandum to Industry Committee No. 62, pp. 40 and 44.

[5] Pp. 140, 141 Informal Hearing and Meeting of Industry Committee No. 62.

[1] Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

(5) The counties of San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, Kern, Riverside, and Imperial in the State of California.
(6) The counties of Uma, Maricopa, Pinal, Pima, Santa Cruz, Cochise, Graham, and Greenlee in the State of Arizona.
(7) The counties of Hidalgo, Luna, Sierra, Dona Ana, Otero, Eddy, Chaves, Lea, Roosevelt, Curry, Quay, and Harding in the State of New Mexico.
(8) The counties of Chautauqua and Montgomery in the State of Kansas.
(9) The counties of Taney, Ozark, Howell, Oregon, Ripley, Butler, Stoddard, Scott, Mississippi, New Madrid, Pemiscot, and Dunklin in the State of Missouri.
(10) The counties of Pulaski and Alexander in the State of Illinois.
(11) The counties of Fulton, Hickman, Carlisle, Ballard, McCracken, Graves, Calloway, Marshall, and Livingston in the State of Kentucky.
(12) The counties of Lake, Obion, Weakley, Henry, Dyer, Gibson, Carroll, Benton, Humphries, Lauderdale, Tipton, Shelby, Fayette, Haywood, Crockett, Madison, Hardeman, Chester, McNairy, Henderson, Decatur, Hardin, Wayne, Perry, Hickman, Lewis, Lawrence, Giles, Maury, Williamson, Marshall, Lincoln, Bedford, Rutherford, Wilson, Cannon, Coffee, Moore, Franklin, Marion, Grundy, Warren, White, Van Buren, Hamilton, Rhea, Meigs, Bradley, McMinn, Polk, and Monroe in the State of Tennessee.
(13) The counties of Pittsylvania, Halifax, Charlotte, Prince Edward, Lunenburg, Mecklenburg, Brunswick, Nottoway, Amelia, Chesterfield, Dinwiddie, Greensville, Southampton, Sussex, Prince George, Surry, Isle of Wight, Nansemond, Norfolk, and Princess Anne in the State of Virginia.
(14) The counties of Alachua, Baker, Bay, Bradford, Calhoun, Citrus, Clay, Columbia, Dixie, Dival, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Hernando, Holmes, Jackson, Jefferson, Lafayette, Lake, Leon, Levy, Liberty, Madison, Marion, Monroe, Nassau, Okaloosa, Orange, Pasco, Pinellas, Putnam, Saint Johns, Santa Rosa, Seminole, Sumter, Suwannee, Taylor, Union, Volusia, Wakulla, Walton, and Washington in the State of Florida.
(15) The counties of Rutherford, McDowell, Burke, Caldwell, Wilkes, Alexander, Catawba, Lincoln, Cleveland, Gaston, Mecklenburg, Cabarrus, Iredell, Davis, Yadkin, Forsyth, Davidson, Rowan, Stanly, Union, Anson, Montgomery, Randolph, Guilford, Richmond, Scotland, Moore, Lee, Chatham, Alamance, Orange, Caswell, Person, Granville, Durham, Wake, Harnett, Cumberland, Roberson, Bladen, Columbus, Brunswick, Pender, Duplin, Sampson, Wayne, Johnson, Wilson, Nash, Franklin, Vance, Warren, Halifax, Northampton, Edgecomb, Pitt, Greene, Lenoir, Jones, Onslow, New Hanover, Carteret, Craven, Pamlico, Beaufort, Martin, Washington, Tyrrell, Hyde, Dare, Bertie, Hartford, Chowan, Gates, Perquimans, Pasquotank, Camden, Currituck, Hoke, and Polk in the State of North Carolina.

Senator TUNNELL. Are there any questions?

Senator SMITH. Yes. Our other witnesses have testified to the effect that the minimum wage which is proposed in this bill is based on what would be a fair standard of living for a family of four, in industrial areas.

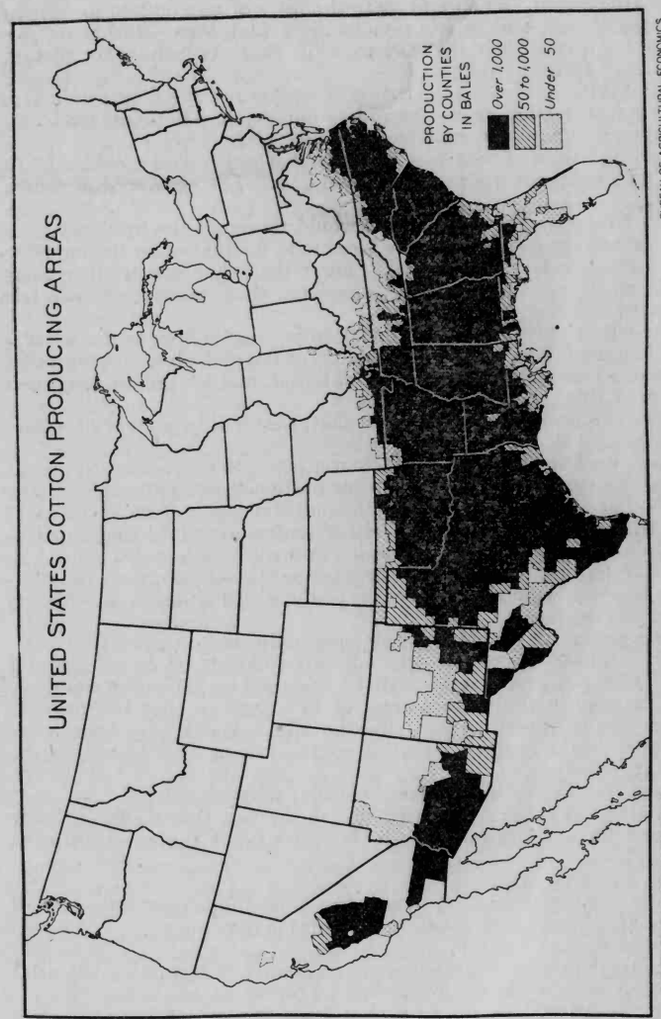
In other words, 65 cents as a minimum wage would yield around $1,300 a year, which is alleged to be rock bottom for a family of four. The argument has also been made, generally speaking, that the standard of living in the North and South are not the same. The rates that you pay for your work down there do give them a reasonable standard of living, and those rates are lower than in other parts of the country, or are lower than what the 65-cent rate would be on the 40-hour week.

Do you get my point?

Mr. NICHOLS. You ask if the wage we pay does give them an acceptable standard of living.

Senator SMITH. Yes, or whether it is substandard due to the condition of the industry. If they can't pay that, does the industry go out of business?

Mr. NICHOLS. Well, Senator, I would say it is my general impression that labor costs in the smaller towns where most of our facilities are



located, and perhaps throughout the South, are somewhat lower than in the Nation as a whole. Probably a man can get along just as well on a little less money in the smaller towns.

Senator SMITH. When you state the rates of pay do you include in the rate of pay, and in addition to the actual dollars and cents pay any living quarters for the workers while they are picking the cotton, and doing all these things?

Mr. NICHOLS. No, sir; the cotton compress and warehouse industry, when we state that figure, considers only money actually paid out, and does not furnish quarters or anything else.

Senator SMITH. I was just wondering whether you would add to that possibly some quarters, or something. Then it would be worth more.

Mr. NICHOLS. No, sir; 45 cents would represent the total pay.

Senator SMITH. Then you are faced with a situation in the industry where the standards are probably lower than they are in other parts of the country. And, generally speaking, these people are on a fair standard of living.

The whole purpose of this legislation is to set a floor under what is paid to our workers all over the country, a floor which would represent at least a reasonably decent scale of living; and we are all interested in that, I think.

If we can bring our wages up to that, that will be a good situation, if we can get it.

Now, we have to make a differentiation. If you ask us to except the cotton workers as you do in your particular amendment, we have to say that in this particular case the industry is so "down in the heel" that they can't do it; and they either pay substandard wages or else they fold up. Is that the conclusion you want us to come to?

Mr. NICHOLS. We feel, Senator, that to raise the wages of the compress workers would make a corresponding deduction in the income of the cotton farmer.

Senator SMITH. That seems obvious under cotton price control.

Mr. NICHOLS. Since the price of cotton cannot be raised. And I would like to say on that point that I have had no indication whatever from anyone in the Government, or in Congress, that the price of cotton can be raised further, substantially. And I have heard considerable doubt expressed that it could even be maintained at the present level.

Now, that is a problem that is peculiar to cotton alone.

Senator ELLENDER. Isn't that due to the fact that we have in our cotton warehouses at present a little over a year's supply of cotton in storage?

Mr. NICHOLS. Yes.

Senator ELLENDER. And even though we didn't produce a bale of cotton this year, there would be enough for next year.

Mr. NICHOLS. Yes, sir.

Senator ELLENDER. And there is no chance of increasing the price of cotton so as to absorb the additional outlay except to store it.

Senator SMITH. That is just what I am trying to bring out. You have a weak situation there, and that is the reason why you are asking for an exception. I think as a matter of national policy, we will have to consider that whole thing, because here we have a large area of people employed in this industry, who will just have to submit to

that local standard of living, because of the peculiar situation of cotton.

We want to get to the market abroad, which raises the question of subsidizing cotton for exports, and so forth. All of these things are mixed up with a broad national policy. It is not only important, but it is very interesting to think through what your solution is.

Senator ELLENDER. How many people would this affect? Do you know?

Mr. NICHOLS. I believe there are—I would like to ask Mr. Reed.

Senator ELLENDER. Mr. Reed, suppose you come up here.

Mr. REED. About 250,000.

Senator ELLENDER. Will you give your name for the record?

Mr. REED. A. L. Reed, Dallas, Tex. I am secretary to the National Cotton Compress and Cotton Warehouse Association.

About 250,000 would be the number directly affected, and the indirect number would probably run it up to 350,000; 256,000 was the figure by the latest survey that we have which was made sometime during 1940.

(See letter from Mr. Reed, p. 328.)

Senator ELLENDER. You stated a moment ago that the average pay at the moment is 45 cents. Am I correct?

Mr. NICHOLS. That is right. That is the average minimum pay.

Senator ELLENDER. How many of those 300,000 are now receiving the minimum that this bill would fix in the first year? That is, 65 cents.

Mr. REED. I understood your question to be how many would be affected, and what I gave you were those that were not making the minimum wage, in 1940. Now, I am assuming that the situation has changed with respect to them, to where they are on the 45-cent-minimum day, and therefore, that number would be affected by the proposed amendment.

Senator ELLENDER. I see.

Mr. REED. That survey, Senator, was made by the representatives of the Government and the industry for the purpose of considering the matter by an industrial committee.

Senator ELLENDER. Out of that 300,000, Mr. Reed, would you be able to tell us how many are now receiving the minimum that this bill seeks to fix, that is, 65 cents for the first year?

Mr. REED. I mean by that number I gave you, that they are receiving not more than 45 cents.

Senator ELLENDER. Oh, I see. So none of them is.

Mr. REED. None of them is receiving it. That is correct.

Senator TUNNELL. Then the cotton industry, in order to compete with foreign countries, has a subsidy of 4 cents a pound.

Mr. REED. That subsidy, Senator, is not on the sale price of the cotton merchant. I doubt if it benefits the producer other than enabling him to dispose of some of his cotton in foreign countries.

Senator TUNNELL. You mean the farmer gets no benefit from that 4 cents?

Mr. REED. He gets the benefit of it if that price you fix is a parity; and we are thus able to market in foreign countries. He gets no more than parity regardless of where the cotton goes. As a matter of fact, he is not getting parity today.

Senator TUNNELL. Now, is it a standing fact that the Government is putting 4 cents a pound into the cotton industry, where it is shipped abroad, and there are still 250,000 workers who are getting but 45 cents?

Mr. REED. I would say that is a reasonable statement, that they are in fact a part of the farm labor. They are performing services that the farmer should perform himself, but he is not big enough and economically or financially in a position to do so. So we are performing it for him.

There isn't any difference in fact, if he handled that today and sorted it out himself.

Senator ELLENDER. Quite a few witnesses have so far testified that if this bill is enacted into law, that it will not appreciably increase the cost of production.

According to your view, as I understand it, if this bill does go into effect, this additional cost would either have to be absorbed by the farmer, or else you go out of business.

Am I right?

Mr. NICHOLS. Yes, sir.

Senator ELLENDER. And that would, of course, as you just indicated, affect not only the 300,000 that are now employed, but the thousands of cotton farmers of the South.

Mr. NICHOLS. Yes.

Senator ELLENDER. Mr. Bowden, who preceded you as a witness, testified in effect that the passage of this bill wouldn't hurt very much, should we start from the bottom and help everybody in proportion to what we are trying to accomplish for a certain group.

Assuming that this were true, is it not a fact that if we do help all, that is, if we start from the bottom of the ladder and take care of everybody in the same manner and to the same extent we are proposing to help a certain group, that all groups would be in about the same fix as they are now; that is, they might have more dollars, but they couldn't buy more with those dollars? Isn't that true?

Mr. NICHOLS. Yes, sir.

Senator SMITH. You mean, if prices are raised accordingly?

Senator ELLENDER. Yes. If this bill is enacted into law, and we start from the bottom rung of the ladder and try to take care of everybody so as to create an income of 150 to 200 billion dollars per year, that will lead to an inflation of the worst kind. It will mean less production because money will be too cheap. Industry will lose its incentive for expansion.

Mr. REED. Senator, may I interpose a statement there? Also, if you go the other way, and take it out of the farmer and pass it to the man who manufactures the radio, and so on, you haven't increased your buying power. You have simply taken it away from one man and given it to another.

Senator ELLENDER. Right, you help one group at the expense of others. That is what I have tried to point out during these hearings. Every time we enact legislation to help a special group, you are bound to affect others. And unless you take care of all concerned, somebody is going to pay the bill. There is no doubt about that.

We have here, I believe, a perfect example of what would happen to this big group of farmers who produce the raw product that all of us use. We must be careful in our consideration of this measure.

Senator TUNNELL. Do you think that the cotton industry in this country can continue to sell at a higher price than the rest of the world, and at the same time pay its laborers substandard wages?

Mr. NICHOLS. Senator, it is doubtful as to how long this country can maintain the price of cotton at the abnormal, or artificial, level, as compared to the cotton grown elsewhere in the world. It is a question of when we will just finally force ourselves out of business, just price ourselves completely out of the cotton business.

Then we have another factor that comes in there, especially since the war, the manufacture of synthetics, which are being made cheaper and better every day, and in fact are now quite comparable in price to the price of cotton. So we have these two factors. It raises serious doubt that the price of cotton can be maintained where it is today, and admittedly it is too low today to afford the right kind of income to the cotton producers.

Senator TUNNELL. And in competition with the rest of the world, you would be out of business now, if it were not for the Government subsidy?

Mr. REED. Yes, sir.

Senator SMITH. Can you give the relative percentage of foreign consumption of cotton, and our own production? I mean, what share of our crop is consumed here, and what is exported?

Mr. NICHOLS. Yes. Appendix A which we are incorporating into the record sets this up from 1924 to the current year. And to answer your question, Senator, just taking the current year, the United States produced 12,000,000 bales and consumed a little more than 9,000,000 bales. This represented about 75 percent of our total production. And the rest of the world produced 14,000,000 bales and consumed the 14,000,000 bales.

Now, these are high consumption figures, and we have never seen them before.

Taking 1937 as a good illustration, it shows where we started getting into trouble. We produced 18,000,000 bales in this country and only consumed 5,000,000 bales of it. We consumed less than one out of every three bales we produced at that time.

Senator ELLENDER. What year is that?

Mr. NICHOLS. 1937.

Senator ELLENDER. That was the year of our largest production.

Mr. NICHOLS. The rest of the world produced 19,000,000 bales.

The history of American cotton has been one of constantly declining exports. Since 1928, or 1929, we have sold less and less cotton to the rest of the world, and more and more countries have produced cotton in competition with us.

Senator TUNNELL. Who owns that surplus cotton?

Mr. NICHOLS. The Government owns the big end of it, Senator. I believe some 5,000,000 or 6,000,000 bales are either owned by, or pledged to, the Government on nonrecourse loans.

Senator TUNNELL. And that is bought at 4 cents a pound higher than they could buy the same cotton somewhere else.

Mr. NICHOLS. If we were to import cotton, we could bring it in at a saving of 4 or 5 cents a pound.

Senator TUNNELL. The cotton industry is a peculiar one, and in a peculiar position.

Mr. NICHOLS. It is. It is in a peculiar situation, and it has been burdened by a world surplus; and no one has found any way to dispose of it.

Senator TUNNELL. Are there any further questions?

Senator ELLENDER. Mr. Reed, do you desire to add anything to what has been said?

Mr. REED. No, sir.

(Following is a letter from Mr. Reed received subsequent to the hearing:)

CALLAWAY & REED,
Dallas 1, Tex., October 16, 1945.

Hon. ALLEN J. ELLENDER,
Senate Office Building, Washington, D. C.

DEAR SENATOR. This is the first opportunity I have had to write you and thank you for the courtesy and consideration extended to the cotton compress and cotton warehouse industry concerning Senate bill 1349 and the hearing before the Subcommittee on Education and Labor, October 9, 1945. On behalf of the industry and myself personally I desire to thank you for your efforts and assistance in connection with this hearing.

During the course of the hearing I believe Senator Tunnell, of Delaware, asked a question concerning the number of employees involved in the matter under consideration. The writer was called upon to answer the question. I understood the question to relate to the total exemptions involved under the existing bill with reference to agricultural industries, and I gave the figure from the testimony of Administrator Walling of 256,000 employees. I am advised that the record indicates that Senator Tunnell's question related to the number of employees in the cotton compress and cotton warehouse industry, and if his question was so restricted, the answer given is in error.

The cotton compress and cotton warehouse industry is highly seasonal; we operate the year round but during the off-season the employees approximate 12,000; during the peak season approximately 25,000 employees are involved in the labor of handling the cotton in the plants and facilities.

Based upon the surveys made by the War Labor Board concerning the average wage now paid, we have estimated that the entire plant employees and labor of this industry would be affected by S. 1349 to the extent demonstrated in the testimony of Witness Nichols, taken from the actual records of the plants for the facilities handling 50 percent of the cotton.

I shall appreciate it very much if you will have incorporated in the record the above correction to the question of Senator Tunnell. It may be an addition to his question, but I think it advisable to have the record show the correct number of employees involved insofar as the cotton warehouses and cotton compresses are concerned.

Again thanking you, I am

Sincerely,

A. L. REED.

Senator TUNNELL. Mr. Crowley.

Mr. BAILEY. Mr. Chairman, may I have just a half-minute before Mr. Crowley begins?

Senator TUNNELL. What is your name?

Mr. BAILEY. My name is Clyde S. Bailey. I am the executive vice president of the United States Independent Telephone Association.

Mr. J. C. Crowley, of St. Paul, Minn., is here, and we had hoped to make a joint presentation before your committee.

We learned, however, from the clerk of the committee, that the time limitation is such that only one of us can be heard. Mr. Crowley is here from St. Paul, and I am bowing to him.

I would like, however, Mr. Chairman, to submit in writing the statement that I have already prepared and to have that statement go into the record, and if the Chairman please, immediately in front of the statement to be made orally by Mr. Crowley.

Senator ELLENDER. What is the time limitation you speak of?

Mr. BAILEY. We understood that only one witness could appear for an individual industry.

Senator ELLENDER. Who made that rule?

Mr. BAILEY. I don't know who made that, Senator. It was merely related to us.

Senator TUNNELL. I don't know that there is any exact rule, but there have been, as I understand from Mr. Kramer, a great many applications.

Senator ELLENDER. I do believe, however, Senators, that you will agree with me that on this very important issue we should obtain all the facts possible. This measure is far-reaching.

Senator TUNNELL. We should obtain all the facts. But I don't think it is necessary to call innumerable witnesses to get those facts. I think that there should be representatives of the different industries.

Senator ELLENDER. It strikes me that, in this instance, if the other gentleman is present, that they might both appear and present their statements, and subject themselves to such examinations as we might find fitting. I don't suppose there would be any objection to that.

Mr. BAILEY. We hold ourselves subject to the opinions of the committee, Mr. Chairman. It is agreeable to me to submit my statement in the record, and I will be here with Mr. Crowley.

Senator TUNNELL. That is very good.

(Mr. Bailey's statement is as follows:)

STATEMENT OF CLYDE S. BAILEY, EXECUTIVE VICE PRESIDENT, UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION, BEFORE SUBCOMMITTEE OF SENATE COMMITTEE ON EDUCATION AND LABOR, ON S. 1349, TO AMEND THE FAIR LABOR STANDARDS ACT

GENERAL STATEMENT

My name is Clyde S. Bailey. I am the executive vice president of the United States Independent Telephone Association.

This association, with headquarters in Washington, D. C., is the trade organization which represents that branch of the telephone industry usually referred to as the "independents."

There are approximately 6,200 independent telephone companies which furnish telephone service in 12,000 cities and towns throughout the United States. The Bell system operates in only 7,000 communities, but its companies provide service principally in the large metropolitan cities.

The independent telephone companies maintain approximately 63 percent of the telephone exchange offices in the United States. The Bell system companies maintain about 37 percent.

Of a total of 24,850,000 telephones in the United States, approximately 4,800,000 or 20 percent, are served by the independents. Independent telephone companies operate principally in the smaller communities and in the rural areas. It has been estimated that these companies serve about 70 percent of the geographical area of the country. They employ approximately 72,000 people.

The dotted map placed before you shows the locations of the 12,000 cities and towns our companies operate in.

Bill would bring about wholesale telephone rate increases and deprive thousands of workers of jobs

Our association and the independent companies it represents are greatly concerned over the provisions of the bill which is the subject of this hearing. For reasons which I shall endeavor to present, the purpose of this bill could very aptly be said to be to produce wholesale increases in telephone rates at most of the telephone exchanges in the cities and towns and the rural areas in which our independents operate. Its purpose could also be said to be to deprive thousands of persons of their jobs in our branch of the telephone industry.

This is no mere idle assertion, and I crave your indulgence while I explain the basis for it.

Small-town telephone revenues can't support proposed wage levels

Of our 12,000 exchanges, approximately 10,000 have fewer than 500 stations. More than 11,000 have less than 1,000 stations. Thus our companies are small business in a very real sense. In a news article in the Wall Street Journal some time ago it was stated that the independent telephone industry was the largest small business in the United States. It was alluding, of course, to the large number of small entities. Our companies operate generally in towns having a population under 4,000 and in the rural areas.

It is true that some of our independents operate also in such places as Rochester, N. Y., Tallahassee, Fla., Tampa, Fla., Santa Monica, Calif., Fort Wayne, Ind., Jefferson City, Mo., and other towns. But these are the exception. In appearing here, while of course solicitous of the interests of our larger companies, we are primarily concerned about the smaller companies.

Our companies are unable out of the revenues they receive to pay wages similar to those which are paid in large cities. A subscriber in a metropolitan area will willingly pay from $3 to $5 a month or more for residence telephone service, but in the smaller communities where we operate telephone rates much in excess of $1.75 or $2 a month are considered prohibitively expensive. At many of our exchanges the rates are as low as $1.25.

The average annual per station gross operating revenue of the Bell system companies, which operate in the metropolitan centers and do more than 98 percent of the long-distance business, is $82. The average per station revenue of even the class A companies in the independent field is only $46.10, or 56.22 percent of the per station revenues of the Bell companies. A class A company is one having revenues in excess of $100,000 a year. In the independent field we have 169 class A companies.

The average annual per station gross operating revenue of 60 independent class B companies, those having revenues of between $50,000 and $100,000, is $37.77, or only 46.06 percent of the per station revenue of all Bell system companies.

The remaining 5,870 of our 6,200 independent companies are class C (revenue $25,000 to $50,000), class D (revenue $10,000 to $25,000), and class E (revenue under $10,000). We do not have Nation-wide figures from which to draw off the per station revenue of class C, D, and E companies, but a fair estimate of the per station revenue of a class C company would perhaps be about $25 or $30. We have, then, the following per station revenues for the various revenue classes of companies:

Bell system	$82.00	Class C independents	30.00
Class A independents	46.10	Class D independents	[1]
Class B independents	37.77	Class E independents	[1]

[1] No figures available.

It will thus be seen that the per station telephone earnings of our independent companies are far lower than those of companies which have the benefit of higher service rates because they operate in metropolitan centers and serve more people.

Facts, gentlemen, are stubborn things.

General economic conditions in independent towns are different from those in metropolitan centers

A substantial number of our independent companies operate in the very smallest towns and in farming communities—towns having a population of from 5,000 down to 150 or even less. Many of these companies have never been able to earn anything even approaching a fair return on the capital invested in them. They have been able to continue in operation from year to year mainly because the employees living in those communities have found it possible to get along satisfactorily on wages which, while lower than those paid in larger places, were sufficient to meet their needs in the relatively simple circumstances in which they live, where they live. This is understandable when it is realized, for example, that a five-room house that would normally rent for $60 in a city of 50,000 people, or for $75 or more in a metropolitan area, will seldom bring more than $15 or $20 in a community having a population of 2,500 or under.

We have listened to the economic and cost-of-living testimony introduced here by Dr. Hinrichs and others. Dr. Hinrichs spoke learnedly and with apparent conviction. He said there was a difference of only about 10 percent between living costs in large cities and small towns. We do not believe that he had in mind living expenses in the very small towns in which our independents operate, and furthermore, we are sure he did not have specifically in mind the particular class of people who make up the bulk of telephone employees, viz, switchboard operators.

We believe that practically all living expenses in small towns, such as are typical of those in which the majority of independent telephone companies operate, are much lower than those to be found in the larger and more populous centers. These small communities are self-sufficient in many respects. Vegetables, poultry, eggs, etc., are usually produced in the backyard or are available from local trades people, and hence are not loaded with the usual costs of passing through several intermediate hands before reaching the consumer. Many a household raises its own chickens and has a cow in the barn. Telephone operators walk to work, and live at home. Movies cost only one-third of the cost in a large town.

A few years ago a dentist in Washington extracted one of my teeth and charged me $5. I visited a small town a few days later, population about 1,500, and by a dentist friend of mine practicing there was told that his charge for an extraction was $2.

Despite attractively drawn charts and testimony offered by perfectly honest people from a bureau of our Government, we say that social and economic life is far less complex and far less costly in the small towns than in the larger communities.

To require small employers in small towns, under the conditions I have described, to pay metropolitan wage rates would, we think, be manifestly unjust. The equal treatment of unequals is itself unequal.

The girls who work as switchboard operators are usually young girls just out of local school. They ordinarily have no dependents. They live at home with their parents. They are not the breadwinners of the family. Their earnings merely supplement what dad makes and provide pin and dress money pending the time when they find husbands. They usually find them, and thereupon the telephone company finds and trains successors.

The 500-station exemption in the present law

As the members of this committee know, in 1939 Congress adopted an amendment to section 13 (a) of the Fair Labor Standards Act exempting from the wage-and-hour provision "any switchboard operator employed in a public telephone exchange which has less than 500 stations." This is the only amendment which has been tacked on to the statute since it was enacted 7 years ago in 1938. The reasons which actuated Congress in adopting the amendment are described in House Report No. 1448, Seventy-sixth Congress, first session, August 3, 1939, reading as follows:

"The exemption for the operators of some small telephone exchanges is necessary to insure uninterrupted telephonic communication service for the farmer and for the small rural community. Small telephone companies, on the whole, are financially unable to comply with the wage provisions of the act, and the sporadic character of the demand for services makes the application of the hours provision of the act impracticable."

That exemption, it should be noted, applies only to switchboard operators. All other employees at the 500 station and underexchanges, and, of course, all employees including switchboard operators at all other exchanges, are covered by the act.

This 1939 exemption has enabled many an independent company to continue in existence and give unimpaired service.

But it may be pointed out, at the same time, that experience has shown that, notwithstanding the exemption, even the small exempted exchanges have not been able entirely to avoid the impact of the establishment of the minimum wages and maximum hours provided for in the law up to this time. This is understandable when it is remembered that switchboard operators have a way of getting together, and comparing notes. If in town A there is an exempt exchange having 200 stations and in town B, 5 miles away, there is a nonexempt exchange with 510 stations, the town A exchange is almost compelled to meet the wage level of the other.

Hence, it will be seen that even down to the very smallest town filter repercussions of any wage increases that may be made. Fortunately, not all towns are close together; and it is this fact which has enabled the 500-station exemption as to switchboard operators to provide the relief Congress contemplated.

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Loss of telephone jobs definitely threatened

At the outset of my remarks I stated that the bill which is the subject of this hearing could be called one to destroy employment opportunities for thousands of telephone workers. I would now like to explain that statement.

Of our 72,000 employees in the independent field, roughly 55,000 are telephone operators. If the wage costs of our companies are increased many of our telephone companies will be compelled to take three steps:

(1) Curtail telephone service as it is known today.
(2) Convert as soon as possible to dial operation.
(3) Go in for wholesale rate increases.

Curtailment of service would be inevitable

Although we would hate to curtail service, that would be the first step in many cases as an expedient to avoid increasing rates. The duty of a telephone company, not necessarily prescribed by law but done to meet the needs of the community, is to provide a 24-hour service. Ours is a round-the-clock business. Our service is a personal service that in many, many cases is manufactured on the spot according to the individual specifications of each subscriber. We are on the job 24 hours every day in the week. We have not deemed it proper to work only 8 hours a day, close up shop for the night and then open in the morning. It is in the middle of the night when doctors are needed, when babies arrive, when fires occur, when robberies take place. But if you put in a higher wage we will be forced to resort to measures that will have a definitely harmful effect on telephone service as we know it today.

It should be borne in mind that when service is curtailed in any community there are repercussions in all other communities by reason of the fact that subscribers living elsewhere are unable to reach subscribers in the community where service has been reduced. The economic and social implications may well be far reaching.

Furthermore, we should like to have you bear in mind that we are on three 8-hour shifts, and any increase in wages to us is, therefore, a triple increase. It would be bad enough to be hit once by a wage increase but to be hit three times in one day is something to cause more than a mere case of the jitters.

Curtailment of service would have to be limited to those services for which there is no direct or added charge. This would include elimination of free calls between two exchanges having a community of interest, information calls including time of day, location of fires, early morning calls and calls as to directory information, secretarial service, etc. In addition there would undoubtedly follow a curtailment of night service at the smaller exchanges as well as Sunday and holiday service.

Some of our small exchanges have already been compelled by rising expenses to limit service, and increased costs of operation would substantially increase the number.

All of these measures mean loss of jobs to telephone operators.

Furthermore, in exchanges with approximately 1,500 stations or less, where the companies now maintain commercial offices for the collection of customers' accounts, the local bank would be employed for such work and the employees of the telephone company hired for this purpose would no longer have their jobs.

Further job losses through dial conversions

But the principal cause of the expected loss of jobs will come from conversions of manually operated exchanges to dial operation.

In a small community the average telephone company employs from three to a dozen telephone operators, depending on the size of the manual exchange. These people are all an integral part of the community and regard the telephone company as one of the "opportunities" for employment along with the local stores, the light company, the flour mill, and other local business concerns. If the imposition of a wage scale higher than the local telephone company can support causes the replacement of manual switchboards which require operators, with dial switchboards which do not, has the town or have the employees benefited by an increase in the wages paid?

Although the dial method of telephone operation came into being over 40 years ago, less than 20 percent of independent telephones are now dial operated. In the Bell System, over 60 percent of the telephones are dial. Independent companies have continued to operate on a manual basis and been able to give reasonably good service at small-town rates, and their employees have apparently been contented and satisfied with the wages the companies could afford to pay. The proposed wage increase will unquestionably swing many companies over to dial with the result that the small community will suffer to the extent that less employment opportunities are available. If a community has a total of 200 opportunities for employment in a business district the telephone company with 10 operators represents 5 percent of the total. Is a community to be helped by eliminating 5 percent of the available jobs?

The answer is "no." Curtailment of employment hurts a community.

It may be asserted that conversion to dial is an inevitable technological development and that eventually our companies generally will come to it, regardless of what minimum wage is prescribed. It is true that there is a definite economic advantage to installing dial equipment. But we have found that life is not all economics. The jobs of thousands of girls and women are at stake. So is the welfare of the community. We individually and as a group feel this responsibility. It would force many of these women to hunt other occupations in communities where steady employment for women is hard to find, if there is an elevation in the minimum wage. Thus the administration of the Fair Labor Standards Act would operate to defeat the purposes of that act in smaller towns and in many large ones, too.

It would be a great deal cheaper to pay the interest on a debt created to buy dial equipment than to pay the wages of the telephone operators whom the dial equipment would displace.

If this bill is passed there will be a truly astounding recourse to mechanization of telephone service. But even if only 50 percent of the present manual exchanges go in for dial equipment there will still be a displacement of telephone operators running into the thousands. The tempo at which conversions will take place will be limited only by the capacity of the manufacturers to turn out the equipment.

Wholesale rate increases will be required

Another result of the institution of higher wage levels in our branch of activity will be the submission to the public service commissions of the several States of rate increase applications covering telephone service in hundreds and hundreds of small towns throughout the country.

An increase of 25 or 50 or 75 percent in wages may not in each and every case call for an increase of a corresponding percentage in telephone service rates. But in most cases it will, and in all cases it will call for substantial increases. There is no place other than the subscriber to which our companies can look for the necessary money with which to pay the bill for the increased cost of operation. Unlike unregulated enterprise which may adjust its prices at will, we are a regulated industry whose rates are subject to strict public supervision. Our earnings are limited under our system of regulation usually to about 6 percent; but many of our companies have never made anything approaching even that amount of return.

The small independent companies do not look with equanimity upon telephone service rate increases because they know it is terribly difficult to increase rates without losing customers. In large towns and the metropolitan centers it is easy enough to lose subscribers with rate increases, but in the small towns where family incomes are lower the hazards are particularly great.

And even where traffic studies may show that a net revenue increase may result notwithstanding loss of subscribers, the job of persuading a public service commission that a rate increase should be granted, remains. Anyone familiar with regulatory processes knows that certain requirements must be met before a rate increase is permitted. This involves the making of engineering studies, accounting studies, and other studies to enable a commission intelligently to deal with a rate application.

But it will nevertheless be apparent, particularly from some down-to-earth figures that will be presented to you by Mr. J. C. Crowley of Minnesota, who will follow me, that if wages are increased and rates are not increased, or if rates are increased and subscribers are lost, telephone service as it is known today in the smaller towns also is lost.

This bill will leave us between his satanic majesty and the deep blue sea.

There is a rather interesting thing connected with the rate increase situation. As you know, in the Emergency Price Control Act of January 30, 1942, Congress in section 302 (c) of title III provided that the maximum price regulation of the OPA should not extend to the rates of common carriers and other public utilities. This was because such rates were already subject to public regulation by State and Federal commissions. Congress did require in section 1 of the October 2, 1942, amendment of the Emergency Price Control Act that 30 days' notice of proposed increases in rates by public utility companies shall be served on the

President's designee and that permission to intervene in any resulting rate increase proceeding before a regulatory commission be given.

The Transportation and Utilities Division of the OPA, the President's designee, has been pretty active. That Division has let it be known during the past 3 years that it looked askance at rate increases. Director Nixon of the Division in an address to the National Association of Railroad and Utilities Commissioners in Chicago in September 1943, said:

"All price increases are inflationary * * * the mandate (of the law) is to prevent all increases except * * * where increases are shown to be necessary to aid in the successful prosecution of the war * * * regulatory agencies may give effect to the national policy by denying proposed increased rates unless necessary to promote the war effort."

How during the war could a little telephone exchange, removed from defense plants, Army camps, and other branches of accelerated business activity, and serving only an inland farming town, prove that an increase in its rates was necessary to the successful prosecution of the war or was necessary to promote the war effort?

And now that the war is over, what do we find? We find the same OPA Transportation and Utilities Division creating a Telephone Industry Advisory Committee for the purpose of considering telephone rates. We may be sure that the calling into being of such a committee is not designed to facilitate the making of rate increases. On the contrary, we may be sure that the purpose is to keep telephone rates from rising, through the power of persuasion since the OPA has no rate regulatory power.

We are thus witnessing a very strange combination of events, a combination that is far from reassuring to most of the 6,200 independent telephone companies—the Congress of the United States considering an increase of staggering proportions in the minimum wage, and the Office of Price Administration creating a committee whose intended purpose, stripped of unnecessary verbiage, is to make it more difficult for telphone companies to obtain rate increases with which to meet increased costs of operation.

There may be surer ways of accomplishing economic suicide for much of our independent telephone industry, but we do not know what they are.

Having said what I have concerning the OPA, I think in all fairness it is due to that Government agency, and to its Transportation and Utilities Division, to add that although it has intervened in a number of rate-increase proceedings before State regulatory commissions, it has refrained from intervening in a number of others. Its failure to intervene in the latter was due to recognition, on the basis of information submitted in rate increase notices, that the increases applied for were reasonable and should be granted by the State regulating body.

Our proposal

Mr. Chairman, by the time Mr. Crowley, who will testify following me, concludes I hope we shall have demonstrated to the committee that these independent telephone exchanges are simply unable to stand the burden that would be involved in the proposed wage increase. In any bill which the Congress may see fit to enact we respectfully ask that the present 500-station exemption as to switchboard operators in section 13 (a) of the present law be increased to 1,000 stations.

At the time the 500-station exemption was given us by Congress there were many people who thought it should be a 1,000-station exemption. The Wage-Hour Administrator sent a questionnaire to various State regulatory bodies, and even a number of them recommended 1,000. If there was a justification for exempting the 1,000-station exchange then, the justification is increased manyfold now.

The effect of this recommendation of ours, if Congress adopts it, would be to make possible at our smaller exchanges in the smaller communities in the country a continuation of telephone service as it is enjoyed today, and thus forestall inevitable and unavoidable rate increase applications at such exchanges. Adoption of this amendment would also insure a continuation for an indefinite period of jobs that would otherwise certainly go out of existence at a fast tempo as a result of service curtailments and conversions to dial operation.

At the same time, we would like to urge the Congress to give serious consideration to the desirability of eliminating the liquidated damage provision of section 16 (b) of the present law. This is the provision which requires an award of double the amount when a suit is brought in court for wage arrearages. The inequity involved in the liquidated damage provision was commented upon by the House Appropriations Committee early last summer when reporting out the Labor Department appropriation bill. The House committee said:

"The liquidated-damage provision was, no doubt, intended to be helpful in establishing and maintaining the minimum wage and perhaps has had a salutary effect. It appears, however, in some instances that advantage has been taken of this mandatory provision to the detriment of innocent employers and in other cases violations have been permitted to continue in order to collect the increased amount provided in liquidated damages. In view of such situations, it is suggested that the proper legislative committee give consideration to whether or not an amendment to the statute is needed to the the effect that before the mandatory provision of the statute becomes effective the employee shall give notice to the employer that he (the employee) is not receiving the minimum wage and expects to make claim for the legal amount, which would put the employer on notice that thereafter he might be subject to the liquidated-damage penalty."

Wage-Hour Administrator Walling, himself, in his last annual report to Congress recommended that the act be amended in such manner as to enable the waiving of the double payment penalty "except in cases of willful and flagrant violations."

Period of limitation

Section 8 of the bill before you would amend section 16 (b) of the Fair Labor Standards Act by providing a 5-year statute of limitations for bringing suit for back wages. There is a real need for a period of limitation for bringing such suits, but in our opinion 5 years is far too long. We think the period should be not more than 2 years. Our association appeared last July at a hearing before a subcommittee of the House Judiciary Committee in support of the Gywnne bill, H. R. 2788, which would make the period of limitation 1 year.

There is a separate bill now pending before the Senate, in the nature of a companion bill to the Gwynne bill, which would also make the limitation 1 year. This is Senator Butler's bill, S. 1013, introduced May 17.

In view of the extended testimony which we offered before the House Judiciary Committee on this statute of limitations matter, we content ourselves with merely noting here that a reasonable period of limitation for bringing wage suits is not hostile to the interest of the employee but on the contrary may very well be to his advantage by causing him to bring his suit while his evidence is fresh and his witnesses are still available, and thus increase the chances of success in his litigation.

Senator TUNNELL. Mr. Crowley, proceed in your own way.

TESTIMONY OF J. C. CROWLEY, JR., SECRETARY OF THE MINNESOTA TELEPHONE ASSOCIATION AND CHAIRMAN OF SUBCOMMITTEE ON EMPLOYMENT RELATIONS COMMITTEE OF THE UNITED STATED INDEPENDENT TELEPHONE ASSOCIATION

Mr. CROWLEY. Honorable members of the Committee on Education and Labor of the United States Senate, Mr. Chairman, my appearance here is on behalf of the Minnesota Telephone Association, an organization consisting of some 200 small independent telephone companies. I appear also on behalf of the United States Independent Telephone Association, the national trade organization which represents the entire independent telephone industry.

In our branch of the telephone industry there are approximately 6,200 independent companies which provide an indispensable telephone service in about 12,000 cities and towns and in the rural areas. Of our 12,000 exchanges, more than 10,000 have less than 500 subscribers. We are the little fellows. It is estimated that our companies serve approximately 70 percent of the geographical area of the Nation.

The dotted map which has been placed before you shows the locations of our 12,000 exchanges. There are 12,000 dots on the map.

Mr. Clyde S. Bailey, the executive vice president of the United States Independent Telephone Association, had hoped that an opportunity would be afforded him to appear at this hearing also, but consultation with the committee clerk revealed that there was not enough

time available for two witnesses. Mr. Bailey has, however, filed his statement with the committee in writing. I concur in what he says in his statement, and I wish to embrace this opportunity to express the hope that the members of the committee will read carefully what Mr. Bailey has to say.

I welcome this opportunity to be heard on Senate bill 1349. In my letter of September 24 to your honorable chairman, I requested to be heard on behalf of the smaller independent telephone companies operating in our many States. I probably should have added in that letter that I was also appearing for and on behalf of the many telephone users in the smaller cities, towns, and villages of the Nation.

For the information of this committee, I have been engaged for 52 years in the telephone business and its various departments in construction, operation, and maintenance of telephone properties, mostly in our central Western States. For the past 24 years, I have served as secretary of the Minnesota Telephone Association, which represents some 200 companies operating in Minnesota; and it is needless to say that I have been constantly in touch with the progress and development of the telephone industry.

You gentlemen are fully aware, as well as I, that we have more telephones in this United States per hundred of population than any other nation on earth. I wish that time would permit me to point out to you the improvements and progress that we have made, and having this progress and development in mind, based on the experiences of the past, I fear the consequences and results of what will happen to the continued progress and development of the industry if such legislation as is proposed in this bill should become a law, and it is my honest opinion that had the smaller telephone companies and the telephone users in these smaller communities not been misled in the belief that telephone companies would be recognized as "service establishments" under said law, I doubt very much whether the original bill would have succeeded in passage without a clarification of the exemption of telephone companies.

I call your attention to the exemption that was adopted some few months after the passage of the act, and, as far as I know, the only exemption that has succeeded in passage to this law in which telephone operators in exchanges of 500 telephones or less were exempt. I call this to your attention from the fact, in my opinion, Congress did not go far enough in this exemption, and I trust that after you have studied the chart before you and my explanations thereof, you will give serious consideration to raising this exemption to where it justly belongs, so that the farmer, the small merchant, mechanic, nurse, and charwoman may be able to retain their telephone service throughout the smaller communities.

Before referring to the figures that are on this chart, I would particularly call to your attention that the telephone business is not a 40-hour-a-week business such as manufacturing, but rather the telephone business, to be a benefit to the public and for the public's safety, is a 24-hour business per day, 168 hours per week, 365 days per year, or 8,760 hours per year, and a most essential necessity for the protection of life, limb, and property, as well as the conduct of business and social life of our Nation.

Therefore, I have taken the figures on this chart based on an hourly basis as to receipts and disbursements with the average investment per exchange reduced to the average investment per telephone on an hourly basis. The results are self-explanatory.

In arriving at these classifications, B, C, D, and E, I call your attention that our regulatory commission has set up these classifications: Class A companies are those having average annual revenues in excess of $250,000; class B companies are those having average annual revenues in excess of $50,000 but not more than $250,000; class C companies are those having average annual revenues in excess of $10,000 but not more than $50,000; class D companies are those having average annual revenues in excess of $4,000 but not more than $10,000; while class E companies are those owning telephone exchanges whose annual operating revenues are less than $4,000.

Gentlemen, in discussing this bill I am giving no attention to the fact that it provides an automatic increase from 65 cents an hour to 75 cents an hour over a 2- or 3-year period, for the reason that I feel certain that you gentlemen are close enough to the situation in the smaller communities and rural areas of the United States to know that a 75-cent minimum wage would be so upsetting to employment that it is almost preposterous to consider it.

While I am going to talk to you about the effect of the 65-cent minimum on the telephone industry and I am, therefore, not representing any other business, I know that the effect of a 75-cent minimum on the grocery business, the hardware business, the drygoods business, the filling-station business, the drugstores, and all other kinds of local business, even though not directly interstate in character, will be most serious in its effects upon business in the smaller communities.

If you believe in inflation, this is a wonderful start for it. However, let me repeat that I cannot believe that you will seriously consider a 75-cent minimum, and my presentation from this point on will be directed toward the serious adverse effects upon the independent telephone industry of a 65-cent minimum.

Senator ELLENDER. You pass it right on to the consumer, of course, in the telephone industry. Your rates are regulated by public service commissions, I take it, and they simply add extra costs to the consumer's bill. So in your industry the consumer would pay it.

Mr. CROWLEY. That is correct, sir. And, Senator, if I may add, if that rate is put to a point where the customer can't pay for it, these telephones will be taken out and the service for the remaining subscribers diminishes.

Senator ELLENDER. Have you any statement as to how much more it would cost?

Mr. CROWLEY. I am going to come to that, sir. I should be glad to.

Senator ELLENDER. I don't want to anticipate you.

Mr. CROWLEY. That is all right, sir.

Now, while I refer to and have compiled this chart—on the easel before you—based on figures taken from the annual reports submitted under oath by the officers of these respective companies, I assure you that they are a fair example of like-sized companies throughout our many States. In looking over this chart, I trust that each and every one will appreciate that whether that telephone exchange is located in a metropolitan center or not, the little exchange located at the crossroads in a community of 300 people or less is just as important to the people of that community as the telephone exchange is to the residents of our larger metropolitan areas.

It is true that in many of these communities the apparatus is not of the latest type. There is no expensive engineering in its construction, but it serves the people of that community economically and interconnects with the long-distance lines of the Nation.

It is my understanding that this bill proposed to recognize the exemption of the operators in exchanges serving 500 telephones or less, but under this bill establishing 65 cents as a minimum, and to my mind that is misleading from the fact that this means within 36 months the minimum shall be 75 cents; all right, Congress has recognized the necessity for the exemption of telephone operators in towns or communities serving 500 telephones or less, but if this bill succeeds in passage it will impose on these smaller companies a construction and maintenance charge far beyond the gross income received for the service.

As an illustration: The average rural line may be built for approximately $150 per mile under the present 40 cents an hour minimum scale, keeping in mind the differentials for mechanics above that minimum, but if this bill becomes a law and 75 cents becomes the minimum, it establishes a rate of $6 a day of 8 hours for common labor to set poles. It establishes a minimum of $6 a day for apprentices who watch the highways for the safety of the public while construction is under way, and with the differentials to be added to the truck driver, the lineman, the foreman, and the timekeeper, what will be the result?

We must keep in mind that the purchase of supplies such as wire, glass, equipment of various kinds, instruments, and cable are all interstate products and this 65-cent minimum applying on all industries will apply to every bit of equipment or material used by these smaller companies, and will increase the cost per mile of farm line, which under present conditions can be built for approximately $150 a mile, to approximately $250 per mile or more, and that cost will, in my opinion, be prohibitive in order to serve these rural communities economically.

For many years prior to the war, telephone engineers have given considerable thought, study, and experiment as to how to reduce the cost of construction to serve these smaller communities as well as the farms with telephone service, thereby reducing the cost of maintenance, and, like many other improvements, this has been retarded on account of the war for the past 4 or 5 years.

Now comes this proposed piece of legislation that will, if enacted into law, wipe out any savings and make the furnishing of economical service prohibitive in these smaller communities.

Now may I call your attention to the chart?

Taking the B and C companies, the average capital investment in the B companies is $67,561.

These figures are taken from the biennial report of the supervisor of telephones to the Minnesota Railroad and Warehouse Commission, a copy of which I shall be glad to furnish.

The average investment per telephone——

Senator ELLENDER (interposing). Will you tell us first, what is the difference between the B, C, D, and E classification?

Mr. CROWLEY. Yes, sir. I read the classification as set by the Commission as to revenues per year.

Senator ELLENDER. I see. That is the basis?

Mr. CROWLEY. Yes, sir.

Senator ELLENDER. All right.

Mr. CROWLEY. Our Commission has employed a simple method of accounting for the smaller companies; and, of course, more intricate systems for the larger ones have been devised.

The average investment per station in the B companies is $118.37. That is per telephone. When we speak about "per station," we mean "telephone served."

The gross revenues are $16,528.

The net income is $2,358.

Now, the gross revenue is based on that. The net income per hour of service is 27 cents.

The gross revenues per station are $28.96.

The hourly gross revenue per station is $0.0033.

The ratio of net income to capital investment is 3.49.

For the information of this committee I will say this: What we term "service stations" are pole lines erected by the farmers themselves; they go in groups, and they connect to their market center. And they pay nominal switching fees, and no regular service other than the switching fee.

Now, that represents a total of 43,871, serving communities of 114,946.

There are 72 exchanges, and the average is 1,596.

Then there are the C companies and the D companies; and then we get into the small ones.

Now, in my own State—I am speaking of Minnesota, but this is representative of our Western States—I mentioned two hundred-odd companies. I didn't tell you that in the State of Minnesota, we have 1,870 so-called farmers' companies that connect to the entire system.

Senator ELLENDER. But you term that "services."

Mr. CROWLEY. Yes; those are services. That is correct, sir.

Senator ELLENDER. Why is it that the farmers are compelled to do that? Is it because it wouldn't pay a company to do it?

Mr. CROWLEY. No, Senator. If I may go back to the earlier history—and I should have gone there to give you that development—please remember, Senator, that we have gone through three stages in the telephone business in your lifetime and mine. We have gone through 17 years of absolute monopoly.

Earlier history shows that the American Bell Telephone Co. collected $10 per telephone royalty for 17 years of the patent on every telephone that was used.

We went through that patent period. And then, when the patent expired, we went through what was called the competitive period. This was about 1896.

Now, remember, the telephone development took place first in the larger areas. The Bell Co., of course, naturally, being able to get a royalty of $10 per telephone, put it where the groups were closest.

Oh, my dear sir, that is where the income foundation was laid for some of this big telephone property.

Then we went into the competitive period. We had at one time 26 manufacturers of independent apparatus in the United States.

And remember, Senator, there were no toll lines in those days. It is in your time and my time that the toll line was established from Chicago to New York, and New York to Chicago, depending upon at which point you are. Later this was extended to the coast. Until

1905, we had no connections to the west coast. Those things have all come in later.

Now, the larger company was developing the commercial areas and the metropolitan areas. It was not until the business of the Nation become more closely tied in with the rural areas that the demand by the rural people arose.

John Smith and his son sent for a telephone, and they connected it to the farm. Then the neighbor said, "I want to get one." And then someone else wanted one.

Now, that is how this telephone business grew up.

As a rule, when you went to use a long-distance service, for a number of years you had to go to the drug store to use the telephone. Then gradually, as time went on, their use spread.

We have found that the competitive period was not the answer to serve the public. That was recognized by our legislatures. They granted power to the public-utility commissions to regulate, rather than to make, a competitive condition.

My dear sir, in small communities, where we had a general store, we had three or four telephones, one on each wall.

But we eliminated that through regulation. And these farmers kept extending their service, and you couldn't push them out. And it has been growing ever since.

Does that answer your question, sir?

Senator ELLENDER. I followed you.

Mr. CROWLEY. I shall confine most of my remarks to both class B and C companies from the fact that it is self-evident that there is insufficient revenues in the class D or E companies to even consider applying the 65 cents per hour minimum for this type exchange, but upon these two classes, D and E, will fall an additional construction cost as well as an increased maintenance cost if the bill becomes a law from the fact that the present exemption in the law does not include male employees.

I do not wish to burden the members of this committee with a lot of repetition in statistical information from the many comments and exhibits submitted to me by many companies, but I have selected the figures—not the highest results nor from the poorest showing, but a fair average example—and I therefore will confine myself to two companies under the class B classification.

Let us take the letter of Mr. W. A. Eckles, president of the Blue Earth Valley Telephone Co., operating exchanges at Blue Earth, Winnebago, Wells, and serving the villages of Huntley, Guckeen, and Elmore. I believe it is sufficient just to quote Mr. Eckles' letter for the information of the committee. [Reading:]

BLUE EARTH, MINN., *September 25, 1945.*

DEAR MR. CROWLEY: You ask what effect the proposed increase of wage minimum in the telephone business would have on our business here at Blue Earth, Elmore, Wells, and Winnebago.

As you know, our present minimum wage rates are 40 cents per hour, although the fact is that only a few learners receive that low wage, and most of the other employees receive considerably more.

We have calculated that on a percentage basis, if the minimum wage was raised to 65 cents, it would mean an increase of our wage scales of 36 percent——

Senator SMITH. Is it shown that all wages would be raised correspondingly?

Mr. CROWLEY. Yes, sir; that is correct. [Reading:]

Last year (1944) our total wages paid was $48,407.12. An increase of 36 percent would mean $17,430.52 additional wages, or more than our net return for the year 1944, which was $17,238.79.

Senator SMITH. That is assuming, of course, that a wage increase would be applied to the whole scale. Just assuming that you raise your minimum to 65 cents, does that mean you raise everybody else to the same percentage?

Senator ELLENDER. It might follow, but does it necessarily follow?

Mr. CROWLEY. I would like to know how you are going to keep an organization together, Senator, if you raise one group and not another.

Senator SMITH. That is what I want to bring out. You are raising that argument?

Mr. CROWLEY. Yes, sir. Does that answer your question?

Senator SMITH. Yes.

Mr. CROWLEY (reading):

But there is also another factor to be taken into consideration. In 1944 our net income from toll commissions was $19,015——

Senator TUNNELL (interposing). On what capitalization?

Mr. CROWLEY. Well, on the capitalization of the estimated amount of $67,000. Now, this is the toll commission.

Senator TUNNELL. About $19,000 profit on the $67,000 capitalization?

Mr. CROWLEY. Yes, sir. I see. But if you will let me clear this up as I go on, I am sure it will be all right.

Senator TUNNELL. I am just trying to get your statement. You may have some explanations and some deductions.

Mr. CROWLEY (continuing reading):

In 1944 our net income from toll commissions was $19,015 over and above our toll commissions in the normal year of 1939.

When our boys come home to stay, there will be no more long-drawn-out "collect" messages from distant States and distant countries. In another year we expect business to become more or less settled, and we do not think it unreasonable to expect that at least two-thirds of what we might call super toll business over 1939 will fall off.

Therefore, considering the $12,760 shrinkage in toll, plus the deficit of $191.73, will leave $12,861.73 to be made up by the increasing of telephone rates to the subscribers in order just to keep even. And we all know that a business must have some profit in order to make satisfactory progress and satisfy its patrons.

We ask that we may continue to give fair wage rates to our employees and low telephone rates to our patrons—then every family can have a telephone and all will be satisfied.

The following are the rates in effect at Blue Earth, Winnebago, and Wells, Minn.:

	Rates per month, gross	
	Blue Earth and Wells	Winnebago
Individual-line business	$2.75	$3.00
2-party line business	2.50	2.75
Individual-line residence	1.75	2.00
2-party line residence	1.50	1.75
4-party line residence	1.25	1.50
Rural multiparty	1.50	1.50
Rural switching charge		.40

You will note, Mr. Eckles says in his letter that the first step in the first year of the operation of this law, if passed, would place an increase of 36 percent in increased costs of service to the telephone users served by the Blue Earth Valley Telephone Co. The Blue Earth Valley Telephone Co. serves 2,330 company-owned stations and 1,156 service stations at Blue Earth, Wells, Winnebago, and surrounding rural community.

Now, then, let us take up the next company that serves 3,342 telephones out of one central office, and let me quote from the figures submitted by the manager, Mr. L. A. Mills, as to what effect this bill will have on them. The population of New Ulm is 8,743, and the number of local telephones is 2,611, rural phones 731, or a total of 3,342.

	Hours worked	Average hourly rate	pay-roll amount	Percentage
Female employees	37,893	$0.469	$17,773.81	
Male employees	14,097	.735	10,367.05	
Total			28,140.86	100
			Increase over 1944	Percentage over 1944
Proposed rates of pay:				
First year:				
Female employees	(1)	.65	$24,630.45	
Male employees	(1)	[2].80	11,277.60	
Total			35,908.05	
Increase			7,767.19	21.6+
Second year:				
Female employees	(1)	.70	26,525.10	
Male employees	(1)	[2].85	11,982.45	
Total			38,507.55	
Increase			10,366.69	36.9—
Third year:				
Female employees	(1)	.75	28,419.75	
Male employees	(1)	[2].90	12,687.30	
Total increase			12,966.19	46.1—

[1] Same.
[2] Estimate.

Senator SMITH. Why do you say "minus" there, while the other one is "plus"?

Mr. CROWLEY. Well, Senator, it is just the fraction point.

The New Ulm Co. operates under the following rate schedule:

	Per month gross
Individual line business	$3.00
2-party line business	2.50
Individual line residence	1.75
2-party line	1.50
Rural multiparty	1.75

Now let us refer to the Norman County Telephone Co., of Ada, Minn., a class C company. In order to meet a 75 cents an hour provision of this proposed bill, this company would require an increase of $13.56 per annum per telephone for 769 telephone users at Ada, Minn., of which there are 481 local stations and 288 rural stations.

The following rates are in effect at Ada, Minn.:

	Per month gross
Individual line business	$3.25
2-party line business	2.75
Individual line residence	1.75
Rural multiparty business:	
Grounded	2.25
Metallic	2.50
Rural multiparty residence:	
Grounded	1.50
Metallic	1.75
Service stations	.40

The Hastings Telephone Co. operates Hastings, Dakota County, Minn.—population 5,662. Telephones operated, 1,393, of which 1,051 are local and 342 rural. From information received from their secretary, Mr. Irving Todd, their accountant furnishes the following report:

	Paid in 1944	65-cent rate	70-cent rate	75-cent rate
Operators	$9,478.83	$12,655.18	$13,628.65	$14,602.12
Increase (percent)		33.50	43.77	54.05
Increase in money		$3,176.35	$4,149.82	$5,123.29
Commercial employees	1,650.00	2,202.75	2,372.21	2,541.83
Increase		552.75	722.21	891.83
Plant men	3,461.28	4,620.81	4,976.28	5,332.10
Increase		1,159.53	1,515.00	1,870.82
Estimated increased expenses:				
Operators, 100 percent		3,176.35	4,149.82	5,123.29
Commercial, 100 percent		552.75	722.21	891.83
Plant men, 70 percent		811.67	1,060.50	1,309.57
Superintendent, 70 percent		609.31	796.10	983.08
Total		5,150.08	6,728.63	8,307.77
Increase per telephone, annually		3.70	4.83	5.96
Increase per telephone, monthly		.31	.40	.496

The following schedule of rates is in force at Hastings:

	Per month net
Individual line business	$3.00
2-party line business	2.50
Individual line residence	2.00
2-party line residence	1.50
4-party line residence	1.25
Rural multiparty metallic	1.50

Senator TUNNELL. What profit did that company make last year?

Mr. CROWLEY. The Hastings Co.? I will have to refer to the file, sir. 6.44.

Senator TUNNELL. What does that mean? 6.44 percent return on the investment?

Mr. CROWLEY. That is right.

Senator TUNNELL. And had no surplus?

You named two or three others there. What are they?

Mr. CROWLEY. I should be glad to take the time, if the committee wishes.

Senator ELLENDER. That was for 1944?

Mr. CROWLEY. That was for 1943, Senator. I am referring to all my figures for 1943, Senator, for this reason—1944 won't be in the hands of the Commission.

Senator ELLENDER. Would you be able to say how those figures of 1943 would compare with those of the present year?

Mr. CROWLEY. There has been an increase, largely due to this volume of toll commission revenues that have come in from every little company, which we all anticipate is going to recede at the conclusion of the war activities.

Senator ELLENDER. Do you manage the company yourself? Do you own all the stock in your company?

Mr. CROWLEY. No, sir.

Senator TUNNELL. Could you anticipate any increase of local business in the telephone line after the war?

Mr. CROWLEY. There will be some burdens.

Senator TUNNELL. I ask you if you anticipate an increase in the business, in the local service.

Mr. CROWLEY. Well, what we are more seriously thinking about is not so much the development of the demand, but what the result of public improvements is going to impose on us in the way of maintenance costs.

Senator TUNNELL. But I would like to have your answer to the question.

Mr. CROWLEY. May I have the question? I didn't hear it.

(The question referred to was read by the reporter.)

Senator ELLENDER. In other words, will he be able to expand his business?

Senator TUNNELL. I am asking him if he is anticipating a greater local business after the war.

Mr. CROWLEY. In some communities, I think that will be true, Senator. In others, I doubt it.

Senator TUNNELL. In what kind of an area will there be no increase, in your opinion?

Mr. CROWLEY. I think in your rural communities, in our well-settled farms, we have gone about as far as we can. Nonetheless, the large farms could be divided again, although that is not a trend.

Senator TUNNELL. Don't you think that people will be able to buy more? They will have more business to transact after the war?

Mr. CROWLEY. Yes, I think there will be a demand, naturally.

Senator TUNNELL. Won't that increase the telephone business?

Mr. CROWLEY. I doubt very much whether that increase will take the same pace that it did for the first 18 months of the war.

Senator TUNNELL. But you do think that it will increase the business, don't you, over the prewar, for instance?

Mr. CROWLEY. Yes, over prewar, it will.

Senator TUNNELL. All right.

Mr. CROWLEY. I have given you the figures for the Hastings Co.

Now, let's take the little Zumbrota Telephone Co., operating Zumbrota, Minn.; population, 1,350. This company has a total of 701 stations—423 local and 278 rural. That is a strictly rural community. Mr. F. C. Marvin, manager of the company, makes the following statement:

65-cents-an-hour basis

Estimated operating expense	$15, 855. 93
Operating expense, 1944	10, 037. 03
Total	5, 818. 90

or an increase of 58 percent on rentals.

70-cents-an-hour basis

Estimated operating expense	$17, 071. 46
Operating expense, 1944	10, 037. 03
Total	7, 034. 43

or an increase of 70 percent.

75-cents-an-hour basis

Estimated operating expense	$18, 291. 62
Operating expense, 1944	10, 037. 03
Total	8, 254. 57

or an increase of 82 percent.

In other words, it means an average increase per phone on the 65-cent basis of $8.30 annually; on the 70-cent basis, $10; and on the 75-cent basis, $11.78.

Senator TUNNELL. A little less than a dollar a month.

Mr. CROWLEY. Yes. Oh, but, Senator, have you ever attended a hearing and tried to get 75 cents a month more from the farmers?

Senator TUNNELL. Well, I don't know. I was raised on a farm, and I think they are pretty fair people.

Mr. CROWLEY. I didn't say they were unfair.

Senator TUNNELL. I think one might assume that they were unfair, from your answer.

Mr. CROWLEY. The Pine Island Telephone Co., a border-line company, operates in a town of 1,000 inhabitants, and has 507 subscribers, 270 local and 237 rural. The following comparison of wages paid by the company for 1944, 1945, and the proposed wage scale of 65 cents, 70 cents, and 75 cents per hour, was made by Mr. J. P. Keane, president of the company, in his letter of September 24:

Operators' wages for 1944, no overtime	$2, 451. 56
Operators' wages for 1945, time and one-half overtime	6, 540. 30
Operators' wages at 65 cents and time and one-half for overtime	6, 540. 30
Operators' wages at 70 cents and time and one-half for overtime	7, 091. 50
Operators' wages at 75 cents and time and one-half for overtime	7, 642. 70

Comparing the operators' wages for 1944 of $2,451.56 with those at 65 cents per hour of $6,540.30, we find an increase of over 265 percent.

During 1944 we had other wages of manager and lineman of $5,600. If we gave our other employees the same percentage increase as we would give the operators at 65 cents per hour, our other labor costs would be $14,840.

Operators' wages at 65 cents per hour	$7, 540. 30
Other labor at the same percentage increase as operators	14, 840. 00
Total labor costs	21, 380. 30

Our total revenues for 1944 were $13,157.06, and we had a deficit of $209.46.

You may say that increasing the wages of other employees the same percentage as the operators is a little farfetched. Surely our manager and the other help are entitled to as great an increase in wages as the operator class.

If the 65-cents-an-hour wage scale is placed on the Federal statute books, you can see from our 1944 income statement that the Pine Island Telephone Co. will be hopelessly bankrupt.

This will be sufficient, in my judgment, and is a fair comparison that might be drawn from any of the B or C companies of my State or adjoining States for companies of a similar size.

I call your attention to the geographical location of the Blue Earth Co. which is in the southern part of the State, the New Ulm Co. is located in the central part, the Hastings Co. in the eastern part, and the Norman County Co. in the northern part of Minnesota.

Now may I ask you to give the most serious consideration to the importance of telephone communication? Do not impose upon the industry any legislation that will hamper its continued growth and development.

Please bear in mind that the telephone industry is now regulated by our Federal Communications Commission insofar as those companies doing an interstate business are concerned, and throughout our many States, with the exception of two, they are regulated by the public utility or railroad and warehouse commissions of their particular States.

These commissions have within their powers the regulation as to capital accounts, prescribe the accounting methods to be followed, and last, to say as to the reasonableness of the costs of the service to the public. With their trained staffs and their close proximity to the situations within their respective States, they are familiar with the costs of construction, operation, and maintenance of the various companies.

Then also, consider that in most of our States the industrial commissions have made a careful study as to the costs of living in the metropolitan areas as compared to the smaller cities, towns, and villages, and have adopted a graduated minimum weekly wage to be paid female employees for a maximum number of hours per week based on population. This method should by all means be given consideration and adopted in the bill before you.

I trust that I may be pardoned if I inject this question. Surely no one would contend that the monthly salary paid to the policeman or fireman in the cities of New York or Chicago that the same salary should be paid to the members of all police and fire departments located in all other cities, towns, and villages, whether they be a fully organized department, a subject-to-call department, or volunteer department, but just because they are policemen or firemen they should receive the same compensation. In effect, that is what this bill proposes to do to the telephone industry.

It should be interesting to the members of this committee and our Members of Congress, as well as to those who are interested in creating more jobs for our people so that all may be employed at a gainful occupation, and I call your attention to the fact that there is now in operation in Minnesota in communities serving less than 500 telephones, 64 mechanically operated switchboards, the greater part of which have been installed since the passage of the Fair Labor Standards Act, notwithstanding that such companies' operators are exempt from the provisions of the act. It is estimated that these installations have replaced an average of three operators, or a total of 192 telephone operators in Minnesota alone. I regret that I have not the aggregate figures as to all of the other States.

Senator TUNNELL. Do you think that it is wrong to use machinery?

Mr. CROWLEY. I beg your pardon?

Senator TUNNELL. Do you think it is wrong to use machinery?

Mr. CROWLEY. I wouldn't say it is wrong. I think we are coming to that. Answering that is going to be our problem, Senator.

It is a well-known fact that many telephone operators that come from large families of moderate means in these smaller communities, would not have been able to complete their high school education had it not been for the fact that they were able to secure employment in their home town telephone office and at the same time continue

their studies toward the completion of their education. It now appears that through legislation these opportunities will become less and less.

This must be rather discouraging to the parents of these girls in our smaller communities, who are anxious to keep their families together and away from the larger centers of population. Home is much preferable to these young ladies but necessity of employment compels them to seek elsewhere, as gradually and steadily the jobs are becoming scarcer and scarcer in such communities; and, in the opinion of my fellow workers and my own, this bill, as proposed and unless modified, will but add to the problems of our smaller communities.

In my earlier statement referring to the chart, I said it was self-evident that the class D and E companies could not survive if a 65- to 75-cent minimum per hour for labor was imposed upon them, which this bill proposed to do. I also said that I feared the results as to extensions and further developments of the industry in the smaller communities of our several States. I call your attention that many of such communities are served by the larger companies and such companies may absorb through a "rob Peter to pay Paul" policy and continue to operate.

But by far the greater number of these class D and E companies are operated by individual owners and groups of citizens interested in an economical telephone service for their respective communities. It is not a question of financial return as much as it is the convenience and protection that telephone service affords them.

Let us assume—and I mention this not as a probability but as a possibility—that in order to meet these ever-increasing costs they decide to curtail the service by limiting the hours of service—no service between the hours of 9 p. m. and 7 a. m.; no service on Sundays and holidays. In years past that was considered telephone service. Would it be considered telephone service today?

Then let us consider further that they should decide to refuse to accept any calls to or from any interstate points, and limit the business strictly to intrastate calls.

Gentlemen, do you realize what a chaotic condition any such steps would create in our communications system? We must keep in mind that a large volume of our telegrams originate and terminate through these smaller telephone exchanges. I know of no such intentions, but let us not adopt legislation that will compel them so to do on the grounds of self-defense and confiscation.

Now, gentlemen, what proposal do these independent telephone companies have to offer if the peculiar circumstances surrounding them are to be given due recognition by the Congress? In our opinion, if any increase in wages is going to be legislated, it will be imperatively necessary—I want to make that just as strong as I can—for Congress to increase the present exemption of 500-station exchanges to 1,000-station exchanges. As a matter of fact, when the 500-station amendment was before Congress 6 years ago in 1939, there were many people in private and public life who felt the exemption then should be placed on a 1,000-station basis. The Wage-Hour Administrator sent a questionnaire to the various State public utility commissions, and in their answers many of the commissions

expressed the definite conviction that the exemption should be on the 1,000-station basis.

It is, as I have said, imperatively necessary that this increase in the exemption be given if these independent companies operating in the smaller communities of the country are to continue in business as we know it today, if we are to avoid Nation-wide, wholesale rate-increase applications, if we are to avoid serious curtailment in telephone service, and if the jobs of literally thousands of telephone employees are to be saved by continuing to operate exchanges on a manual basis instead of being converted to dial operation. It may be asserted that dial operation is a technological development to which our telephone companies will come regardless of legislation. But I assert here and now that the rapidity with which the conversions will take place will increase tremendously if the legislation is enacted. And I further point out that as conversions take place and as employment opportunities by the thousands are thereby destroyed, the economic life of many a small-town community will be substantially altered to its detriment.

Before I conclude there are two other matters to which I would like briefly to refer. One of these is the proposed 5-year statute of limitations for bringing suits for back wages, set forth on page 13 of section 8 of the bill before you. In our opinion 5 years is much too long a time. We believe that the period of limitation should not be more than 2 years; and, as a matter of fact, the United States Independent Telephone Association has already endorsed the Gwynne bill in the House, H. R. 2788, which provides a 1-year statute.

The other matter I would like to mention is not covered in any way in Senate bill 1349. I refer to the liquidated damage provision of section 16 (b) of the present Fair Labor Standards Act. Under this provision employers are required, when a wage suit is brought, to pay double the amount that is due. There may have been some justification for such a harsh provision at the time the Wage-Hour Act was first enacted, but we believe that there is no justification for it now, at least for our independent telephone companies. In the statement which has been filed here by Executive Vice President Bailey of our National Association this matter is discussed more at length, and hence I shall say nothing further about it myself at this time.

Many thanks for your time and patience.

Senator TUNNELL. I wonder if your plan to increase the exception from 500 to 1,000 telephones or stations is not a plan to place the shortage in living standards on the operators rather than on the persons benefited. Do you think that is true?

Mr. CROWLEY. I will say not, for this reason, Mr. Senator: We have an industrial commission in our State that we think a good deal of. They are elected by the people, and they pass upon the fair standards there. And I think there is the protection on those thousands that you speak of. Your industrial commission in your State can give that protection.

Mr. TUNNELL. But they can't take it out of the air. That money has to come either from the users, or it has to come from a shortage in pay to your employees.

Mr. CROWLEY. Yes; that is true. That is where the telephone business differs from any of your manufacturing establishments.

We sell nothing. As a matter of fact, Senator, in my opinion it is a far-fetched idea to place the telephone communication under an interstate regulation, such as commodities moving from one to another State.

There is no commodity moving in a telephone communication. The physical lines and poles don't move. We don't sell any part of that commodity.

It is the two human voices that interchange. And that is called an interstate product.

Senator TUNNELL. You are selling the use of that machine.

Senator ELLENDER. Just one question. It has been testified here on several occasions that this moderate increase in the present minimum rate, as well as the rate fixed by the W. L. B., will be absorbed by business.

Now, judging from your testimony, that would be entirely impossible to the industry which you represent.

Mr. CROWLEY. Absolutely.

Senator ELLENDER. It would be necessary to increase the rates so that you could be able to give service?

Mr. CROWLEY. Yes, sir.

Mr. BAILEY. And of course, Senator, if I may interject, that involves the assumption that the subscriber is willing to pay. You know, there is no law in the United States that will compel the subscriber to pay the increased rate.

Senator TUNNELL. The law of necessity. Don't you think that operates?

Mr. BAILEY. In some cases, Senator. But there are many marginal cases where necessity doesn't have such a place.

Senator TUNNELL. I agree with you. There are.

Senator ELLENDER. Let me ask you this question, to be a little more specific: Do you know of any company that can absorb this loss today if the bill were enacted?

Mr. CROWLEY. I do not know of a company that can absorb it.

Senator TUNNELL. Without raising the rates?

Mr. CROWLEY. Senator, you asked me a question about the return. This appears in the annual report that I have here.

Senator TUNNELL. For the different companies?

Mr. CROWLEY. Yes, sir; for the different companies.

Senator TUNNELL. I should like to have that put in the record.

(The report referred to appears in the Appendix.)

Senator TUNNELL. We will meet tomorrow at the same hour, in room 424–B.

(Whereupon, at 12 noon, the committee adjourned until Wednesday, October 10, 1945, at 10 a. m.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

WEDNESDAY, OCTOBER 10, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424–B, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The first person on my list today is Mr. Mortimer Cosby.

TESTIMONY OF MORTIMER COSBY, PRESIDENT AND MANAGER, JEFFERSON HOTEL, COLUMBIA, S. C. (ACCOMPANIED BY M. O. RYAN, WASHINGTON REPRESENTATIVE, AMERICAN HOTEL ASSOCIATION)

Senator TUNNELL. Will you give your name and your connection to the stenographer.

Mr. COSBY. Mr. Chairman and gentlemen of the committee, I am Mortimer Cosby, president and manager of the Jefferson Hotel in Columbia, S. C.

I am appearing as a witness for the American Hotel Association.

The 1940 census reveals approximately 1,500,000 hotel rooms in the country. The industry today employs, roughly, 800,000 persons, which is 200,000 short of our actual requirements on the basis of present-day volume of business.

May I acknowledge, at the outset, that hotels are not covered by the Fair Labor Standards Act. It might be argued that we would not be affected by the provisions of this bill. But it has been our experience that we compete in a crowded labor market with all other employers and are thus directly affected.

Few industries have such a complex wage pattern as do hotels. The wide variety of job classifications under a hotel roof find us engaging staff ranging from professional people, through the skilled artisan class, down to unskilled and even part-time and seasonal workers.

Real wages vary from stock dividends and bonus on profits down to meals, tips, housing, uniforms, et cetera, in addition to cash wage. The whole program of wage controls, therefore, has been one of the most difficult of our wartime problems. Under wage and salary

stabilization we were denied the right to reward key employees with sufficient pay to retain their services.

The hotels of America do not, in any sense, oppose a declaration of 65 cents an hour as a desirable minimum wage toward which our domestic economy should aim—based on the present costs of living. Your committee is cognizant however of some of the problems which would ensue. Let me point out to you that we are among those industries which are now subject to cross pressures which cannot be reconciled. As long as rents for guest rooms are frozen, and menu prices are frozen, our maximum potential income is rigidly controlled, allowing only a rapidly narrowing gap within which additional cost increases can be borne.

I doubt that any native industry experienced a mortality rate equal to ours following the last war, when 85 percent of all hotels were either bankrupt or had to be refinanced. Right today, on the basis of increased operating costs, the industry would again be bankrupt were we to return to that level of occupancy formerly experienced. The break-even point in hotels has risen from an average of around 60 percent in 1940 to about 75 percent, and a great deal higher in some hotels.

Before we decided to appear before your committee, the American Hotel Association canvassed the industry in every State in the Union to learn just what a 65-cent hour minimum wage, with differentials up to 90 cents, would mean in terms of present operating costs.

I present, for your information, a tabulation showing the actual figures for sample hotels in every State, and for all sizes of properties. These reveal that the 65-cent minimum with differentials, would mean a pay-roll increase averaging 21.7 percent. In one hotel, the figure rose to 128.6 percent. Small towns would be hit far harder than would larger centers, with the smaller hotels being more adversely affected than the larger ones. Price increases of 7 percent would be required if this added cost were indicated. Hotels generally are full today, and offer little change for an increased volume of business out of which new and added costs could be absorbed. While it is true that this particular survey shows the actual records of only 85 hotels, studies of upward of 300 hotels across the Nation by a national accounting firm substantiate these averages precisely.

An example of the type of squeeze which is currently effective is the following: On September 4, the War Labor Board amended General Order 30 to provide that increases in wages up to 55 cents an hour could be made by employers without approval of WLB, even though such increases were later made the basis for an appeal to OPA for increased prices. But on September 20, when conferring with OPA officials, a task committee of the hotel industry advisory committee was told that a hotel could not be permitted to recover any of these added costs except by presenting an application for relief under the hardship provision of the regulations.

When I explain that only two hotels, to our knowledge, have qualified for relief under this provision during the period of price controls, you will understand our concern. It isn't that hardship was not present in some cases, because some hotels have been forced into receivership when denied relief. The hardship provisions are too stringent, and in most cases the hotel would be bankrupt before it could qualify. We are for price control, when necessary, and we

favor the highest wages our American business economy can possibly pay, but in the face of so inexorable a squeeze, we are truly distressed.

There are several fallacies known to the employers which we fear are sometimes overlooked in attempting to force wage levels higher.

First, a hotel owner who is financially able today to step up wage scales is taking a fearful risk when he does so. For this reason: He runs the risk of being frozen to the new and higher wage regardless of whether business a year or two hence would permit his maintenance of such wage level. Our information in this field comes direct from the War Labor Board.

Also, tips received by employees should always be included in the minimum wage. The employer is constantly faced with liability for withholding and social security taxes for employees who do not declare their tip receipts to management. Also, it is usually difficult to estimate these receipts.

A very careful check was made recently in leading transient and residential hotels in a certain city, with the following receipts noted:

	Weekly tips
Coffee shop and low-priced lunch rooms	$31.06
Medium-priced restaurants	53.25
High medium-priced dining rooms	66.40
High-priced dine and dance rooms	85.40

Senator SMITH. Would you say the average tip ran about 10 percent of a meal served?

Mr. COSBY. Yes, sir, I would say that is the usual practice. In higher-priced places it runs higher than that, probably.

Senator SMITH. If it would run from 10 to 15 percent, you could make an estimate on an over-all basis?

Mr. COSBY. Well, you could make an estimate; yes, sir. Some people do not tip, but you could estimate it on that basis, probably.

Senator TUNNELL. Why do you think the hotel should be allowed credit for the tips?

Mr. COSBY. Well, in figuring the minimum wage of an employee, you need to consider that some of them are dependent to a greater extent on tips than they are on the wage scale.

Senator TUNNELL. Don't you think that the tendency would be to reduce their wages to that extent?

Mr. COSBY. No, sir; I do not think they would reduce it.

Senator TUNNELL. Would they not make their first contract on that basis?

Mr. CROSBY. I do not think the tendency ever would be to try to reduce the wages of those particular people.

Senator TUNNELL. You mean to tell me an employer in a hotel who was hiring a man who will take in $85.40 in tips, will not rely on that to get his employee?

Mr. COSBY. I am sure that he would, as an inducement. He probably would not have to pay that man as much money, you see.

Senator TUNNELL. That is what I am getting at.

Mr. RYAN. Mr. Chairman, there are special reasons for this evidence. We are simply calling attention to the fact that though a tip is part of the real wage, all Government agencies habitually fail to differentiate between tip and nontip employees. That is the purpose of this evidence.

Senator TUNNELL. They have to account for that, do they not?

Mr. RYAN. Yes, but the War Labor Board and other agencies have failed to differentiate in the past between tip and nontip employees, pointing to the basic wage of the tip employees, which, of course, is lower.

Senator TUNNELL. All right.

Mr. COSBY. And yet, whenever wage scales are mentioned, the basic cash wage paid waiters or waitresses, or other tip employees, is always the wage recited for that occupation.

We have sought comparative figures on wages for numerous job classifications in hotels from the United States Department of Labor and from other Government sources. But the Department of Labor's detailed figures for an industry do not run back prior to 1943. However, Labor Department figures reveal that from 1935 to the present, the average female service employee in New York hotels has increased her hourly earnings more than 100 percent. This is not uncommon in comparisons of unofficial figures from other sections of the Nation.

We are grateful for this opportunity to reveal to your committee some of our reactions to the legislation now before you.

Senator TUNNELL. Now you say this legislation does not directly affect you.

Mr. COSBY. Not directly; no, sir.

Senator TUNNELL. What is the difference between the effect on you of a general rise in wages the Nation over, and a rise in wages in a particular hotel where they do pay higher wages?

Mr. COSBY. Well, generally hotels have wage scales locally which are more or less average in the same type of hotel.

Senator TUNNELL. But you referred to the fact that some hotels can pay more than hotels in small towns, for instance.

Mr. COSBY. Yes. On that tabulation you will find that the larger the hotel and the larger the town, the better type of hotel has an income which is greater, and therefore they have a better class of workmen and are able to pay more for the same job classification than is possible in a small town or in a small hotel.

Senator TUNNELL. Is it your position that you do not want any other hotel to pay voluntarily a minimum wage of 65 cents?

Mr. COSBY. No, sir; I was just taking it from a national scope, you see.

Senator TUNNELL. Well, if other hotels pay more, it will have the very effect that you are complaining about, don't you think?

Mr. COSBY. Well, the prices in hotels in New York, for instance, would not affect my price level in South Carolina, or some other place.

Senator TUNNELL. Is not your argument just as strongly against the payment of higher wages anywhere for anything?

Mr. COSBY. Well, I think that has to be dealt with locally, sir.

Mr. RYAN. May I please supplement that, sir?

Senator TUNNELL. Yes.

Mr. RYAN. Our problem springs entirely from Government procedure. During the war we have been short of help throughout the country, but the Federal agencies like USES would not recruit for any industry which did not offer wartime wage levels. Also the War Manpower Commission declined to list as a locally needed industry any industry which did not pay up to a certain level. So, you see the squeeze was put on the industry for recruiting people because of a wage situation which did not take into effect other factors in the real wage.

Senator TUNNELL. You mean the Government agencies created for wartime purposes would not aid you in getting employees unless you paid the wartime schedule?

Mr. RYAN. That is right.

Senator TUNNELL. But after they are eliminated, then you would be as you were prior to the war, would you not?

Mr. RYAN. Under State recruitment and under State employment offices, Mr. Chairman, the industry was never substantially undermanned.

Senator TUNNELL. Is it true that you are generally opposed to higher wages?

Mr. COSBY. No, sir.

Senator TUNNELL. That is not true?

Mr. COSBY. No, sir.

Senator TUNNELL. Why would the higher wages draw your employees away from you?

Mr. COSBY. Because we would not be able to pay the higher wages under OPA price controls. In other words, we are pegged on our room income and on restaurant prices, you see.

Senator TUNNELL. I understand, but don't you think that is a pretty good argument for higher-priced rooms? If you are put in a position where your revenues will not pay the amount that you have to have for help, is not that a pretty good argument for raising the price of your rooms?

Mr. COSBY. Well, of course, if we could get more money and be in a better position to pay higher wages, we do not mind paying higher wages.

Senator SMITH. You mean if rent controls are off?

Mr. COSBY. Yes; if we could push the whole level up to where it would leave us with a fair margin of profit after we paid for supplies and labor.

Senator TUNNELL. It seems to me your objection is not because this bill in any way affects you directly; it is because of the general tendency to higher wages which you think this would create?

Mr. COSBY. Yes. We believe this bill does affect us directly.

Senator TUNNELL. Then, according to your reasoning, all standards should be kept down to your level.

Mr. COSBY. No, sir.

Senator TUNNELL. Well, what is the solution?

Mr. COSBY. We do not want it to happen so that it will require us to pay more until we take in more.

Mr. RYAN. Mr. Chairman, he is, of course, reciting the fact that if the OPA would allow merely a seven point rise to the industry, he would gladly subscribe to your bill. Throughout America there are two hotels only which have qualified for relief under the ceilings to date, in spite of the fact that a number of hotels have been driven into receivership because of their inability to meet rising cost under a pegged level of prices. Therein lies the squeeze. Hotels are not objecting to the 65-cent minimum, they are objecting to the fact that under fixed ceilings, they are unable to meet increased prices beyond a given point.

Senator TUNNELL. Do you have figures showing it, or do these charts show it?

Mr. COSBY. Yes, sir.

Mr. RYAN. Those charts show in each State, by a specific hotel or two, what this bill would mean in pay-roll increases, by total dollars and cents, and percentagewise.

Senator ELLENDER. Has that been put in the record yet, Mr. Chairman?

Senator TUNNELL. No. Copies have just been distributed here.

Senator ELLENDER. What is this statement attached to the chart?

Mr. COSBY. This is a statement from our president, Mr. J. E. Frawley, which we submit for the purposes of this committee.

Senator TUNNELL. Mr. Frawley has not testified.

Senator ELLENDER. Mr. Cosby, you are evidently in the same position as many other groups in that you do not mind the raising of wages, provided that all selling prices and wages go up the same for everybody.

Mr. COSBY. Yes.

Senator ELLENDER. Is it your view, that if the wages and prices are raised for all groups in the same proportion that the pending bill seeks to do for special groups that everybody will eventually be in the same position. They will have more dollars, but they will not be able to buy more goods?

Mr. COSBY. I would say so. Of course, when everything geos up, you cannot object to a higher standard, but you are proportionately in the same position.

Senator ELLENDER. In response to the question propounded by Senator Tunnell, would it be possible for you to give us an idea of what occurred to your business during the war, as to wages?

Mr. COSBY. Yes.

Senator ELLENDER. You say you do not object to higher wages?

Mr. COSBY. No, sir.

Senator ELLENDER. But since you are not able to meet these higher wages because of OPA ceilings, what has been your experience in the labor market during the war?

Mr. COSBY. We have had to increase our wages.

Senator ELLENDER. To what extent?

Mr. COSBY. Oh, I could not very well say what percentage of increase. We have not done it on any percentage basis. We increased it as we thought it was necessary in the different departments, you see.

Senator ELLENDER. I see.

Senator TUNNELL. This analysis shows the percentage of increase.

Senator ELLENDER. I was asking the witness as to his own hotel. I thought he might be able to give us some specific example of how higher wages during the war affected his rates.

Mr. COSBY. The War Labor Board held us down in our salaries and wages that we were allowed. In other words, if we wanted to raise a man we had to get permission from the War Labor Board.

Senator ELLENDER. Why was that done; do you know?

Mr. COSBY. I think it was to hold the wages down.

Senator ELLENDER. Not only the wages but prices?

Mr. COSBY. To hold the cost of living down, I mean.

Senator ELLENDER. Yes.

Mr. COSBY. But we took advantage of it as far as we could. The maximum permissive wage was increased from 40 to 50 and then to 55 cents an hour.

Senator SMITH. You are referring to the minimum wage?

Mr. COSBY. Yes. That was the maximum then. The War Labor Board considered 55 cents an hour the maximum wage that we could raise without permission from them.

Senator ELLENDER. This statement that will be placed in the record indicates the extent to which a minimum of 65 cents per hour would cause an increase in the prices necessary to absorb the higher wage?

Mr. COSBY. Yes, sir.

Senator TUNNELL. Which is not proposed under this bill; is that right?

Mr. COSBY. No, sir; I do not think so.

Senator ELLENDER. But it would have the effect, though, if they raised the prices of everybody around you, to pay the higher wages or else close up.

Mr. COSBY. That is what I contend.

Senator ELLENDER. Certainly.

Mr. RYAN. May I answer your question, sir?

Senator ELLENDER. Of course.

Mr. RYAN. There are many cities in which increases of 100 percent in wage levels have been granted in most jobs within the hotel between 1940 and 1945, subject only to the restraint of the War Labor Board and salary stabilization directives.

Senator TUNNELL. This analysis, as I read it, does not tell us what they are now paying. It bulks all of the employees under 90 cents, the number of employees receiving less than 90 cents per hour. Now, whether that takes in all of the employees, I do not know.

Mr. RYAN. It does, Senator. You see, in a large hotel you have a thousand different job categories. It would have made too copious and bulky a sheet to prepare.

Senator SMITH. The present pay roll, then, in this table means the total pay roll?

Mr. RYAN. That is right, sir.

Senator SMITH. It is not just the pay roll of those under 90 cents?

Mr. RYAN. That is right, sir; but that does figure the differentials up to 90 cents, which is the regular War Labor Board procedure.

Senator TUNNELL. It says if it should be made a law that you had to pay a minimum of 65 cents, or if business conditions drive you to do it, that it would be an increase of 21.7 percent.

Mr. RYAN. Yes. I wonder if it is not pertinent to just recite the formula that OPA employs before granting relief, because that shows the inexorable pressure at the other end. In Mr. Cosby's restaurant, or in their dining room, before he is entitled to relief on his menu prices, he must show he is headed for bankruptcy, and that if he did go bankrupt, those who are eating with him will have to pay more somewhere else for what they are now eating than they paid at his place.

In rent control, there have been, as we recited, only two instances known to us throughout the country where an adjustment has been made in the rents, even though a number of hotels have actually gone bankrupt. So it is a pretty rigid formula that we face on the other end.

Senator SMITH. Your objection is more to the so-called squeeze than it is to the minimum wage?

Mr. COSBY. That is what we are worrying about, the squeeze.

Mr. RYAN. If it is pertinent, we should like to have that exhibit included in the record, sir.

Senator TUNNELL. Then, as I understand it, you want Mr. Frawley's statement, and this analysis included in the record?

Mr. RYAN. Yes, if your committee think it is pertinent.

Senator TUNNELL. I think it is.

Senator SMITH. Yes.

Senator TUNNELL. All right, let that be included.

(The statement and tables referred to are as follows:)

HOW THE 65 CENTS PROPOSED MINIMUM WAGE WOULD AFFECT THE NATION'S HOTELS

(Statement by J. E. Frawley, president, American Hotel Association)

The attached statistics are the findings of a survey conducted by the American Hotel Association to analyze the present pay rolls of a representative group of member hotels and the effect proposed Federal legislation raising the minimum wage rate of 65 cents an hour will have upon hotel operating costs.

This survey covered hotels of all sizes in all sections of the Nation. Based on scientific principles, it embraced the small, medium, and large hotels—the hotel located in small and large cities—and the hotel situated in the North, East, South, and West. Therefore, the findings are representative of the hotel industry, which is made up largely of small business establishments. Approximately 90 percent of the Nation's hotels are 200 rooms or less.

The study includes all those employees who now are paid less than 65 cents an hour and, in addition, all other employees receiving less than 90 cents an hour whose rate would be increased by the differentials arising from a 65 cents an hour minimum.

These hourly wage differentials are based on War Labor Board formula. For example, an employee now earning 65 cents an hour would have his scale increased to 68 cents. An employee now receiving 80 cents an hour would be boosted to 83 cents. An employee now paid 86 cents an hour will receive 90 cents an hour.

In this study we have assumed that the Government will credit tips as part of wages in order to determine the 65-cent minimum—a practice followed by State agencies in computing earned income. If this is not done, the pay-roll increases resulting from a 65-cent minimum will be much greater than those shown in the survey.

The survey revealed:

(1) The pay roll of the hotel industry would be increased 21.7 percent if minimum wage rates were raised to 65 cents an hour.

(2) Individual hotel wage increases, necessitated by the 65 cents an hour rate, would vary from a low of 7.6 percent to a high of 128.6 percent.

(3) These increases vary, in general, according to the size of the hotel and its location. The smaller the hotel the larger the percentage of pay-roll increase. And the smaller the community in which a hotel is situated, the larger the percentage of pay-roll increase.

(4) Total sales of the industry as a whole would have to be increased 7.1 percent, if present OPA ceilings on rooms, food, and beverages are maintained, to cover the wage increases resulting from a 65 cents an hour rate.

(5) Total sales of individual hotels would have to be increased in amounts from a low of 2.6 percent to a high of 26.9 percent, at present OPA ceilings, to cover the wage increases.

There is one more important point to take into consideration. Hotels today are operating to capacity in virtually every department. It is almost impossible, therefore, for a hotel, under OPA ceilings, to increase materially its income from the sale of rooms, food, and beverages. Hotels in New York, for example, had an all-time of 98-percent occupancy in June 1945. Washington hotels had a 95-percent occupancy. Average for the Nation's hotels in June 1945 was a record-breaking 91-percent occupancy. Because of manpower, food and supply shortages, many hotels are forced to curtail their dining-room service while patrons still are standing in line for tables. Consequently, dining-room sales in most cases cannot be increased to any appreciable degree.

To expect hotels to increase their sales 7.1 percent, under present conditions and OPA ceilings, is expecting the impossible.

Irrespective of the possible merit of proposed Federal action—legislative or administrative—seeking to increase the minimum wage rate to 65 cents an hour, I feel it is my duty, as president of the American Hotel Association, with 5,500 members throughout the Nation, to call your attention to the effect such a wage increase would have upon the hotel industry if individual operators must meet this additional pay-roll cost under today's OPA ceilings on rooms, food, and beverages.

I am presenting the results of this Nation-wide survey now in order that you may be fully cognizant of the serious financial situation facing hotels and, therefore, appreciate why hotel operators will be forced to seek relief from present OPA ceilings if operating expenses continue to rise.

Analysis of pay rolls of 85 hotels (of various sizes and locations) and effect on pay-roll costs of a proposed 65-cents-an-hour minimum wage

State	Code No.	Hotel name	Number of rooms	Number of employees receiving less than 90 cents per hour	Present pay roll	Proposed pay roll if 65-cent minimum should become effective (including differentials from 65 to 90 cents)	Pay-roll increase	Percent of pay-roll increase	Present total revenue	Percent increase in price necessary to absorb increase in pay roll
Arkansas	34	Garrett, El Dorado	110	33	$37,208	$61,446	$24,238	65.1	$92,406	26.3
Do	35	Noble, Blytheville	125	34	37,762	66,974	29,212	77.4	108,958	26.9
California	36	Los Altos, Los Angeles	200	18	23,317	29,906	6,589	28.3	152,389	4.3
Do	37	Tahoe, Los Angeles	108							
Do	38	Churchill, San Diego	100	13	19,136	22,651	3,515	18.4	89,716	3.9
Do	84	Biltmore, Los Angeles	1,500	1,353	2,136,127	2,513,616	377,489	17.7	7,188,277	5.3
Colorado	39	Whitman, Pueblo	150	64	68,483	108,859	40,376	59.0	324,960	12.4
Do	40	Cory, Denver	100	19	25,355	33,587	8,232	32.5	78,900	10.4
Connecticut	41	Garde, Hartford	200	69	105,190	127,561	22,371	21.3	226,611	9.9
Florida	42	El Commodore, Miami	250	62	105,224	121,457	16,233	15.4	440,000	3.7
Illinois	31	Palmer House, Chicago	2,268	1,662	2,641,679	3,075,813	434,134	16.4	8,476,240	5.1
Do	43	Washington Pine West, Chicago	[1] 100	13	16,586	21,320	4,734	28.5		
Do	44	Fairmont, Collinsville	50	11	11,786	16,348	4,562	38.7	42,732	10.7
Do	45	Illinois, Springfield	100	26	32,696	44,279	11,583	35.4	83,677	13.8
Do	74	Morrison, Chicago	1,364	1,029	1,724,399	1,986,897	262,498	15.2	3,725,928	7.0
Iowa	67	Dempsey, Davenport	70	7	7,709	11,656	3,947	51.2	26,578	14.9
Do	47	Mayfair, Sioux City	150	72	98,190	126,985	28,795	29.3	238,394	12.1
Idaho	3	Greystone, Nampa	42	5	6,178	9,400	3,222	52.2	13,524	23.8
Kansas	48	Capitol, Topeka	100	5	3,780	8,112	4,332	114.6	51,935	8.3
Do	49	Skaer, Wichita	75	9	9,932	13,745	3,813	38.4	36,000	10.6
Kentucky	50	Kentuckian, Lexington	100	36	46,778	61,124	14,346	30.0	130,785	11.0
Do	51	Hermitage, Louisville	50	4	3,770	7,192	3,422	90.8	42,467	8.1
Do	52	Henry Watterson, Louisville	250	91	135,738	173,489	37,751	27.8	356,296	10.6
Do	53	Irvin Cobb, Paducah	200	74	101,824	144,531	42,707	41.9	294,267	14.5
Do	82	Madison, Madisonville	52	8	6,976	15,419	8,443	121.0	44,494	19.0
Louisiana	54	Orleans, New Orleans	50	8	9,412	11,777	2,365	25.1	40,000	5.9
Do	55	La Salle, New Orleans	100	20	19,559	34,485	14,926	76.3	66,095	22.6
Do	76	Roosevelt, New Orleans	800	907	948,295	1,516,869	568,574	60.0	3,646,869	15.6
Massachusetts	56	Braemore, Boston	225	33	51,688	59,414	7,726	14.9	191,000	4.0
Do	57	Parker House, Boston	600	476	960,239	1,056,262	96,023	10.0	2,777,256	3.5
Michigan	81	Fort Shelby, Detroit	900	309	504,440	593,856	89,416	17.7	1,698,177	5.3
Do	88	College Inn, Flint	40	8	13,686	15,816	2,130	15.6	25,334	8.4
Do	58	Norton, Detroit	250	35	41,659	58,057	16,398	39.4	216,816	7.6
Minnesota	60	Normandy, Minneapolis	100	12	15,509	20,085	4,576	29.5	56,660	8.1
Do	59	Arrowhead, Duluth	70	15	15,888	24,893	9,005	56.7	62,246	14.5
Do	80	Radisson, Minneapolis	500	320	453,600	572,718	119,118	26.3	1,546,063	7.7
Missouri	61	Mark Twain, St. Louis	300	193	292,957	364,822	71,865	24.5	747,983	9.6
Do	62	Robidoux, St. Joseph	250	104	131,562	181,324	49,762	37.8	368,940	13.5
Do	79	President, Kansas City	450	185	206,893	326,751	119,858	57.9	1,057,067	11.3
Maryland	33	Lord Baltimore, Baltimore	700	437	559,337	775,011	215,674	38.6	2,419,587	8.9
Nebraska	78	Cornhusker, Lincoln	350	203	239,307	332,156	92,849	38.8	996,019	9.3
New Hampshire	71	American House, Dover	75	12	24,089	28,169	4,080	16.9	44,017	9.3
New York	11	Hayward, Rochester	175	155	200,168	263,934	63,766	31.9	714,000	8.9
Do	12	Yates, Utica	100	12	16,276	20,114	3,838	23.6	55,000	7.3
Do	13	Seneca, Rochester	550	250	395,737	456,618	60,881	15.4	917,914	6.6
Do	14	Stuyvesant, Buffalo	450	92	137,793	164,416	26,623	19.3	512,952	5.2
Do	63	Langdon, New York	152	40	53,391	65,502	12,111	22.7	149,799	8.9
Do	64	Tuscany, New York	200	49	76,622	91,664	15,042	19.6	277,176	4.2
Do	72	Commodore, New York	2,000	1,454	2,662,182	2,905,323	243,141	11.5	7,800,000	3.4
Do	75	New Yorker, New York	2,500	1,514	2,490,906	2,855,319	364,413	14.6	7,507,390	4.2
Do	90	Roosevelt, New York	1,100	742	1,220,272	1,387,103	166,831	13.7	4,188,016	4.0
North Carolina	20	Sheraton, High Point	150	43	52,884	74,677	21,793	41.2	207,046	10.5
Do	66	Hickory, Hickory	100	46	71,066	84,931	13,865	19.5	175,892	7.9
Ohio	15	Park, Toledo	[1] 39	13	15,001	21,869	6,868	45.8	32,819	20.9
Do	16	Charminel, Columbus	50	13	19,240	25,865	6,625	34.4	98,038	6.8
Do	17	Imperial, Cleveland	600	281	529,456	593,486	64,030	12.1	1,838,000	8.9
Do	18	Carter, Cleveland	200	200	218,271	336,122	117,851	54.0	567,932	20.8
Oklahoma	2	Black, Oklahoma City	42	3	3,089	5,070	1,981	64.1	17,000	11.7
Do	4	Corona, Tulsa	60	20	31,738	35,592	3,854	12.1	78,039	4.9
Oregon	21	Rose, Roseburg	272	113	183,033	207,621	24,588	13.4	439,201	5.4
Do	65	Imperial, Portland	1,200	679	931,661	1,163,403	231,742	24.9	3,152,105	7.4
Pennsylvania	1	Ben Franklin, Philadelphia	120	39	52,914	67,436	14,522	27.4	142,423	10.2
Do	7	Penn, York	200	79	141,831	160,390	18,559	13.1	380,351	4.9
Do	8	St. James, Philadelphia	100	14	18,838	24,258	5,420	28.8	72,000	7.5
Do	9	New Governor, Harrisburg	65	16	18,368	26,834	8,466	46.1	16,571	13.4
Do	10	Colonial, Altoona	600	152	254,679	290,396	35,717	14.0	838,859	4.3
Do	70	Barclay, Philadelphia	600	345	502,886	611,315	108,429	21.5	1,351,946	8.0
Do	85	Roosevelt, Pittsburgh	60	12	11,443	20,347	8,904	77.8	33,000	27.0
Texas	32	Travelers, Houston	125	27	20,220	46,213	25,993	128.6	118,103	22.0
Do	6	Travelers, San Antonio	90	11	12,678	18,798	6,120	48.3	59,389	10.3
Rhode Island	87	Berkshire, Providence	54	7	6,786	9,829	3,043	44.8	40,000	3.3
Virginia	23	Sevilla, Richmond	150	35	37,245	63,267	26,022	69.9	94,024	27.7
Do	24	George Washington, Winchester	325	213	200,301	357,728	157,427	78.6	743,125	21.2
Do	25	Roanoke, Roanoke	300	625	904,357	1,176,901	272,544	30.1		
Do	68	Richmond, Richmond	150	56	56,043	102,274	46,231	82.5		
Do	86	Danville, Danville	126	20	29,630	35,096	5,466	18.4	152,200	3.6
Wisconsin	29	Royal, Milwaukee	300	158	209,357	276,327	66,970	32.0	778,299	8.6
Do	30	Plankinton House, Milwaukee	200	247	359,521	463,282	103,761	28.9	909,887	11.4
Do	73	Pfister, Milwaukee	82	29	40,525	52,965	12,440	30.7		
West Virginia	28	Huntington, Huntington	250	61	128,375	138,085	9,710	7.6	374,248	2.6
Washington	26	Mayflower, Seattle	175	20	31,738	35,592	3,854	12.1	78,039	4.9
Do	27	Marcus Whitman, Walla Walla	50	2	2,080	2,621	541	26.0		
Do	69	Darrell, Seattle	160	74	136,082	152,748	16,666	12.2	481,206	3.5
Do	77	Gowman, Seattle	83	29	43,651	53,597	9,946	22.8	144,000	6.9
Washington, D. C	83	Plaza								
Total					24,434,182	29,737,570	5,303,388	21.7	73,816,781	7.1

[1] Apartments.

Source: American Hotel Association, July 1945.

Analysis of pay rolls of 85 hotels (of various sizes and locations) and effect on pay-roll costs of a proposed 65-cents-an-hour minimum wage—
Continued

BY HOTEL SIZE

	Code No.	Number of hotels	Number of employees receiving less than 90 cents per hour	Present pay roll	Proposed pay roll	Pay-roll increase	Percent of pay-roll increase	Total revenue	Percent increase in sales necessary
Number of rooms:									
Under 25	A	4	29	$37,954	$52,155	$14,201	37.4	$88,677	16.0
25 to 49	B	17	213	276,071	375,647	99,576	36.1	807,571	12.3
50 to 99	C	17	380	475,218	669,921	194,703	40.7	1,509,879	12.8
100 to 149	D	9	539	734,224	993,838	259,614	35.4	2,287,468	11.3
150 to 199	E	14	1,235	1,803,855	2,292,903	489,048	27.1	5,215,124	9.4
200 to 299	F	5	1,392	1,846,279	2,507,934	661,655	35.8	3,265,426	20.3
300 to 399	G	2	277	344,686	491,167	146,481	42.5	1,570,019	9.3
400 to 499	H	6	1,924	3,066,597	3,890,796	484,198	15.6	9,270,038	5.2
500 to 649	I	1	437	559,337	775,011	215,674	38.6	2,419,587	8.9
650 to 799	J	2	1,216	1,652,735	2,110,725	657,990	45.3	5,345,046	12.3
800 to 999	K	1	742	1,220,272	1,387,103	166,831	13.7	4,188,016	4.0
1,000 to 1,199	L	3	3,061	4,792,887	5,663,916	871,729	18.2	14,066,310	6.2
1,200 to 1,500	M	3	4,630	7,794,767	8,836,455	1,041,688	13.4	23,783,630	4.4
Over 1,500									
Total		84	15,995	24,434,182	29,737,570	5,303,388	21.7	73,816,791	7.1
BY CITY SIZE									
Population:									
Under 10,000	1	3	39	$50,500	$67,359	$16,859	33.4	$165,265	10.2
10,000 to 24,999	2	7	185	245,286	349,779	104,493	42.6	606,860	17.2
25,000 to 49,999	3	4	209	257,529	382,606	125,077	48.6	632,098	19.8
50,000 to 99,999	4	13	504	924,116	1,362,939	438,823	47.3	3,097,622	14.1
100,000 to 499,999	5	31	3,743	4,900,582	6,672,440	1,771,858	36.2	14,061,852	12.6
500,000 to 999,999	6	11	1,887	3,196,418	3,703,882	507,464	18.1	9,501,501	6.0
1,000,000 and over	7	15	9,128	14,919,751	17,198,565	2,278,814	15.0	45,751,533	4.9
Total		84	15,995	24,434,182	29,737,570	5,303,388	21.7	73,816,791	7.1

Source: American Hotel Association, July 1945.

Senator TUNNELL. Thank you, gentlemen.

The next witness on my list is Dr. Claudius Murchison, the Cotton Textile Institute.

TESTIMONY OF CLAUDIUS T. MURCHISON, PRESIDENT, THE COTTON TEXTILE INSTITUTE, NEW YORK (ACCOMPANIED BY H. E. MICHL, ECONOMIST)

Mr. MURCHISON. My name is Claudius T. Murchison. I am president of the Cotton Textile Institute, whose main office is at 320 Broadway, New York City.

The Cotton Textile Institute is the central trade association of the spinning and weaving divisions of the cotton textile industry. The industry as a whole consists of about 1,200 manufacturing plants, employing currently about 413,000 people.

The institute embraces in its membership both southern and northern mills, and represents 75 percent of the cotton spindles of the United States.

At the outset, Mr. Chairman, I would like to take a few moments to describe the scope of this industry and its functions.

This industry is composed of about 1,200 mills engaged in spinning cotton yarn and thread and weaving fabrics. Its products cover a wide variety of goods, ranging from the heavy duck to fine voiles.

Except for a few items, such as bed sheets, pillow cases, and towels, the industry does not produce finished products for the ultimate consumer. It is rather a producer of raw materials which are subjected to further processing by the finishing and dyeing industries, which are considered to be separate industries, and are then sold to the various industries which fabricate them into finished products for the consumer for apparel, household, and industrial uses.

This industry presently employs 413,800 workers and in peacetime is one of the largest employers in the country.

According to the Bureau of Labor Statistics, the majority of the workers are semiskilled, representing about 56.2 percent of the labor force. The remaining workers are skilled and unskilled in almost equal proportions. These proportions vary considerably as between the spinning and weaving divisions. In the spinning division 76.3 percent are in the semiskilled group, 8.4 percent are skilled, and 15.3 percent are unskilled. In the weaving division, 46.5 percent are skilled, 28.5 percent are semiskilled, and 25.0 percent are unskilled.

Cotton textile industry and the act of 1938: The cotton textile industry has as long an experience with minimum wage legislation as any manufacturing industry in the United States. It was the first industry for which an industry committee was appointed under the Fair Labor Standards Act of 1938.

After almost 9 months of careful deliberation the committee recommended a minimum wage of 32½ cents, which became effective on October 24, 1939. This rate was in force until June 30, 1941, when the minimum wage was raised to 37½ cents. That rate prevailed until April 30, 1942, when it was increased to 40 cents, the highest mandatory rate permitted under the act.

Since then wage rates have continued to move up as the result of both directives issued by the War Labor Board and voluntary action

on the part of the mills. In August 1942, the Board ordered a 7½-cent-per-hour increase for employees in 51 mills, and under wartime pressures and a tightening labor market this rate spread generally throughout the industry. Early in 1944 cotton mills were given permission to raise the minimum to 50 cents, and on February 20, 1945, the War Labor Board issued a directive providing, among other things, a minimum wage rate of 55 cents for employees in 54 mills. This rate was later made permissive for all other mills.

Accordingly, since October 1939, when the first wage order became effective, to June 1945, the most recent date for which wage statistics are available, average hourly earnings increased from 38.5 cents to 69.2 cents, an increase of 30.7 cents, or expressed percentually, an increase of 80 percent.

Straight-time average hourly earnings, which exclude premium overtime pay, during the same period increased from 35.7 cents to 64.4 cents in the South, or 80 percent, and in the North from 44 cents to 74.1 cents, an increase of 80 percent. It should be emphasized that while these earnings are the highest in the history of the industry, they do not yet fully reflect the total increases resulting from the last WLB directive. Since June, more mills have increased their minimum wage rates to 55 cents and not all of the adjustments in rates above the minimum, ordered by the War Labor Board, have yet been made. These are still under negotiation and what the final effect will be on straight-time average hourly earnings is now impossible to say.

Compared with the increases proposed in this bill, the above increases were relatively small. The first wage order of 32½ cents was only a 2½-cent-per-hour increase, or 7.7 percent, above the prevailing statutory minimum and the industry was given 20 months to adjust itself to the new rate before it was raised to 37½ cents. This rate was permitted to remain unchanged by law for almost a year, before it was again increased 6.7 percent to 40 cents.

Senator SMITH. Might I ask right there if there was a ceiling on prices at that time, or was there a lift in prices to absorb this wage?

Mr. MURCHISON. During part of that period, the ceilings became generally effective throughout the industry in the spring of 1942. That is, ceilings were in effect during the entire period when increases were occurring.

Senator SMITH. Under the War Labor Board jurisdiction you absorbed the increase in the industry, except insofar as ceiling prices were concerned?

Mr. MURCHISON. Well, the ceilings have been increased, which I will point out later, giving the exact figures, because I do think that is a very important consideration.

Senator TUNNELL. I would like to get this clear in my own mind. The Fair Labor Standards Act was passed in 1938. Now, what was the provision with reference to wages?

Mr. MURCHISON. It provided a minimum statutory wage of 30 cents per hour, effective at once.

Senator ELLENDER. Twenty-five cents an hour?

Mr. MURCHISON. It was 25 cents.

Senator ELLENDER. And 30 cents the second year?

Mr. MURCHISON. Then it moved up to 30 the second year, and thereafter the increases occurred after hearings and on recommendation of industry committees.

Senator TUNNELL. Now, that was confined to the textile industry, was it?

Mr. MURCHISON. No, no. That was the practice generally for all industry.

Senator TUNNELL. I was under the impression it went to 40 cents more rapidly.

Senator ELLENDER. Senator, if you will permit me, as was just suggested, the minimum was fixed at 25 cents the first year, 30 cents the second year, and then a period of 6 years was provided in which to raise the minimum to 40 cents. But, as he pointed out, the advisory committees raised the 40-cent minimum before the 6 years expired to the amount indicated in this paper.

Senator TUNNELL. Yes. All right then, you may proceed.

Mr. MURCHISON. Timing of the increases: More important than the gradual increase in the rates was their timing. During the 2½ years between the first wage order and the 40-cent wage order in 1942, the cotton textile industry, in common with all other industries, entered a new economic world.

Throughout most of 1939 this industry was struggling to work itself out of the depression of 1938, in which year it had sustained a deficit of more than $4,000,000. In October however, when the first wage order became effective—I mean the first wage order issued through the industry committee—the Second World War was already 2 months old. The consequences of this event to this and all other industries are so obvious that they need not be elaborated.

The general recovery of the American economy, the demand arising from our defense effort, lend-lease, and later our entrance into the war presented this industry with a condition unprecedented in its history.

In place of the overproduction which had been a chronic condition in this industry since 1926, the huge requirements of the military, our own and our allies, the expansion in civilian requirements, the short supply of competitive materials, textile and nontextile, foreign and domestic, created a demand for cotton textiles that was without limits.

No longer was it necessary for this industry to concern itself with competition from Japanese cotton textiles or Indian jute and burlap; the inroads which the paper industry was making into our markets were brought to an abrupt halt; and the threats of the recently negotiated trade agreements were completely removed by the cessation of international trade.

As a result of these developments the chief problem in this industry since 1926—excess productive capacity—was temporarily liquidated. Whereas during the 4-year period 1936–39 hours run per average active spindle amounted to 3,872, in 1940 they amounted to 4,381, in 1941, 5,307, and in 1942 to 5,794.

Senator ELLENDER. Will you explain that to us?

Mr. MURCHISON. That is hours per spindle per year.

Senator ELLENDER. What does that mean?

Mr. MURCHISON. That means the number of hours which each spindle on the average operated.

Senator ELLENDER. How many spindles could a worker attend to?

Mr. MURCHISON. I do not know.

Mr. MICHL. That varies considerably from plant to plant.

Mr. MURCHISON. It varies a great deal according to the type of yarn which is being produced. I do not know what the average would be.

Mr. MICHL. What the figure indicates, Senator, is the extent to which the productive capacity of the industry was being utilized; in other words, the number of hours that a spindle operated, increased greatly between 1931 and 1942, removing that idle capacity which has been chronic in this industry.

Senator SMITH. You had more shifts during that period?

Mr. MURCHISON. Yes.

Senator SMITH. Did the production per worker increase with an increase of his wage? Was he more productive because of his wage increase?

Mr. MURCHISON. Later on, Senator, I have the figures on that.

Senator SMITH. I do not want to anticipate you. I just want you to have that question in mind.

Senator ELLENDER. The question I was going to ask you is this: If the spindles operated in 1936–39 were 3,872 in contrast to 5,307 in 1941, and 5,794 in 1942, was it necessary to employ more men in order to accomplish that?

Mr. MURCHISON. Oh, yes.

Senator ELLENDER. To what extent?

Mr. MURCHISON. The industry generally went on a three-shift basis.

Senator ELLENDER. Do you have in your statement the added employees?

Mr. MURCHISON. Yes; we do give that.

Senator ELLENDER. All right.

Mr. MURCHISON. The industry generally went on a three-shift basis. That meant operations 24 hours a day, 6 days a week in many cases. That was not absolutely the practice throughout the entire industry.

Capacity utilization based on 80 hours per week, increased to 133.2 percent, whereas in the 6 years prior to 1939 it reached the 90-percent figure only once and in 1 year was as low as 57.4 percent.

As against 7.5 billion yards produced in 1938, much of which was added to already high inventories, the industry produced 9 billion in 1939; 9.5 billion in 1940; and more than 11.3 billion in 1941; and almost 12.5 billion yards in 1942.

I might add that the 1943 production was almost as high as 1942. We did have in 1944 a downward tendency due to the increasing shortage of manpower. Now, those industry accomplishments were brought about without any addition to plant or equipment. We continued to use the same machinery we had at the beginning of the war. The Government was not called upon to finance emergency construction projects to enlarge the capacity of the industry.

From 1939 to the end of 1942, the number of workers increased from 394,000 to 510,000.

Under these conditions it was not difficult to pay higher wage rates. Under these conditions wages would have increased without minimum wage legislation. Indeed, it was no exaggeration to say that the wage orders after 1939 merely formalized by law what had already been established by most mills as prevailing practice. During the early part of the defense period and prior to the establishment of price ceilings, the rapidly expanding market readily absorbed price increases for cotton textiles. After the establishment of price ceilings and until the spring of 1943, rising labor costs, resulting from the rising wage rates and decreasing efficiency, could be and were absorbed in part by the decrease in unit overhead costs. By the end of the year, however, increased costs could no longer be absorbed and to assure the cotton growers parity and to maintain the supply of cotton textiles, it was necessary for Congress to provide price relief for cotton mills in the legislation extending the Emergency Price Control Act. That had reference to the Bankhead amendment.

Further price relief had to be granted this year to meet the higher labor costs which resulted from the last directive of the War Labor Board.

Present wage structure: The June average hourly earnings of 69.2 cents are not based on a uniform basic minimum wage rate. As a result of the February 1944 War Labor Board directive, the 55-cent minimum was made mandatory for 48 mills and later permissive for all other mills. Many mills have voluntarily raised their basic rate to 55 cents with adjustments in wages above the minimum, but a substantial number of mills employing a large number of workers are still below the 55-cent rate.

Senator ELLENDER. Would you mind answering one question here? As I understand in early 1939, as your statement shows, the industry employed around 394,000 persons.

Mr. MURCHISON. That was a monthly average for that year.

Senator ELLENDER. Yes. In 1942 it rose to an average of 510,000 persons.

Mr. MURCHISON. That is right.

Senator ELLENDER. Then with an average of 394,000 persons you produced 7½ billion yards, and in 1942 12½ billion yards.

Mr. MURCHISON. That is right.

Senator ELLENDER. In other words, as I see the picture, with 116,000 more people, or about 21 or 22 percent more employees, you produced almost 40 percent more yardage.

Mr. MURCHISON. That is right, Senator. That is because of the more regular working time.

Senator ELLENDER. Yes. Of course, that meant more profit to your industry, and therefore your ability to absorb a greater amount of the wage increase than you otherwise would be able to do if you did not have a sale for the full output of the mill; is that right?

Mr. MURCHISON. That is right. I might say that, in part, the great increase in yardage was due to the production on the average of heavier materials, taking coarser yarns which could be run through the spindles and looms more rapidly.

The proposed minimum of 65 cents for the first year after the enactment of this bill, would therefore require an increase of 18 percent in the minimum rate for mills now paying the 55-cent rate, and a considerably higher increase for mills with lower minima. How many such mills there were we do not know, but those mills which are below the minimum of 55 cents at the present time, have only a very small percentage of their workers under the 55-cent rate. Those workers are usually those classified as yard workers, or sweepers in the mills.

The increase for the former group would be more than four times as large as any increase made under the Fair Labor Standards Act

and almost twice as large as the increase ordered by the War Labor Board at the peak of wartime wage inflation.

When I say four times as large, I mean four times as large as any increase made at any one time under the Fair Labor Standards Act.

The increase in total labor cost would, however, be greater than the above figures would indicate because this bill would require, in addition to increases in the minimum rates, industry committee action to raise wage rates for all other job classifications to maintain "reasonable" wage differentials. Since there are no limits to the wage levels which the committee may fix for such classifications, other than meaningless criteria, meaningless in a technical sense, it is impossible to estimate what the labor cost, the total labor cost may be if this bill is enacted into law.

Senator ELLENDER. Have you any past history of what that increased rate might be in the upper brackets? If you should raise the minimum, let us say, to 65 cents what would be the normal increase in the upper brackets? Have you any data that you could furnish us on that subject?

Mr. MURCHISON. Well, in the past, Senator, although adjustments have been made upward in all the brackets after the establishment of the minimum, such adjustments have been management-labor agreements, you see. They have not been determined by law, and consequently, we had what has been commonly referred to as a tapering off of the increases as we went up. Now, under the plan set forth in this bill, it is likely that the adjustments all the way up would be in proportion to the increase in the minimum. That is only an assumption, because we do not know what the committees would do in particular cases.

Senator TUNNELL. I understand your statement to be that the average now is 69.2 per hour.

Mr. MURCHISON. That is right.

Senator TUNNELL. What percentage of those would be below the 65 cents?

Mr. MURCHISON. Well, I would say a majority would be below the 65 cents.

Senator TUNNELL. Then there must be a very much higher rate on the others.

Mr. MURCHISON. The point of the greatest concentration would fall somewhere between 55 and 65 for the industry as a whole.

Mr. MICHL. That is substantially right.

Senator ELLENDER. I placed figures in the record last week that show that in the textile industry, 54 percent as I recall are not now receiving 65 cents per hour. Is that right?

Mr. MURCHISON. That would sound about right, I should think.

Senator TUNNELL. Then 44 percent are getting more than half of the money.

Mr. MURCHISON. Would be getting more than 65 cents?

Senator TUNNELL. Yes.

Mr. MURCHISON. That would depend on the number, you see.

Senator TUNNELL. It must be 44 percent if 56 percent are getting below that.

Senator ELLENDER. 44 percent are getting 65 cents and up.

Mr. MURCHISON. That is on the total pay roll.

Senator TUNNELL. Yes. It is sufficient to carry the average up to 69.2.

Mr. MURCHISON. Of course, you have a great many occupational brackets, Senator, that rise with skills, which explains it.

Senator TUNNELL. Does this take in superintendents?

Mr. MURCHISON. No.

Senator TUNNELL. What do these figures mean?

Mr. MURCHISON. Only those who receive hourly wages.

Senator TUNNELL. Only the hourly wage group?

Mr. MURCHISON. Those who are in a salary classification, of course, are not included.

By the way, I might say our figures here were taken directly from the Bureau of Labor Statistics. They are official Government figures, those figures which we have given as to the average wage rate.

Senator ELLENDER. Now, before you go into your next subject, would you be good enough to tell us, if you know, why it was that the War Labor Board did not permit a greater minimum rate than 55 cents?

Mr. MURCHISON. They did it because of the hold-the-line order, Senator, and even that 55-cent rate was gone to naturally very reluctantly.

Senator ELLENDER. In other words, as I understand it, if the rate had been raised more than 55 cents, it would mean that the hourly rate structure on up the line would be disturbed, and the probabilities would be that you would have to raise the cost of goods, which in turn would mean a higher cost of living.

Mr. MURCHISON. That did happen, because at the same time the War Labor Board established the 55-cent minimum, it also required the mills to increase the wages across the board 5 cents an hour, so that did have its effect on prices, and I will point out a little bit later just precisely what that effect was. We have the actual figures here.

Senator TUNNELL. Do I gather from you that the operators wanted to make it more than 55 cents and the War Labor Board would not agree to it?

Mr. MURCHISON. I would say many of the operators did, but the War Labor Board turned down applications from many mills for higher wage scales.

Senator TUNNELL. These raises to 55 cents were only allowed in settlement of disputes; is that right?

Mr. MURCHISON. That is right. The War Labor Board could take action only where there was a dispute.

Senator TUNNELL. That is right.

Mr. MURCHISON. That is why there was a limited number of mills involved in the War Labor Board decision.

Senator TUNNELL. And each decision was based on the facts in that particular case?

Mr. MURCHISON. In that particular group, that is correct.

Senator ELLENDER. Is it not also true that many of the mills asked for raises in wages in order to obtain full production? In other words they pursued that course so they could obtain sufficient labor to obtain more production?

Mr. MURCHISON. That is true. Of course, that is not the only reason, Senator, because they really wanted to pay more wages.

Senator ELLENDER. Was not the request to pay higher wages accompanied by a request for higher prices in order that the requirements of the Government and the trade be met?

Mr. MURCHISON. That is precisely what happened. The increase in wage rates led to higher prices.

Senator TUNNELL. They got the higher prices anyway, did they not? They were granted by the OPA?

Mr. MURCHISON. Well, they are still in process of being granted. A number of new price schedules have come out during the past few months.

Senator TUNNELL. However, they did get the increase in prices.

Mr. MURCHISON. Oh, yes.

The effect upon costs and prices: Whatever the total adjustment in the wage structure may prove to be, there can be no doubt whatsoever what the effect will be on the cost of manufacturing cotton textiles. Despite the high degree of mechanization in this industry, wages are the largest item in the processing of cotton and represent for the industry as a whole 60 percent of the value added by manufacture. This proportion is about 50 percent more than for all manufacturing industries in peacetime.

Let me also emphasize that any increase in labor costs could not be absorbed by any significant increase in the productivity of labor in the near future. Let there be no illusion about that. There have been no revolutionary technological changes in this industry during the war, such as have characterized the munitions industry. We have the same machinery today that we had in 1939, but because of the excessive wear due to expanded running time and the inability to replace worn equipment, the mechanical plant in this industry is much less efficient. As is indicated in table I, labor productivity at the end of 1944, according to the Bureau of Labor Statistics was only 0.3 percent higher than in 1939 and unit labor costs, reflecting the higher wage rates and the dilution of our labor supply, but not reflecting the last wage increase, were 61.2 percent higher than in 1939.

(The table referred to is as follows:)

TABLE I.—*Productivity and unit labor cost in the cotton textile industry*

Year	Output per man-hour	Unit labor cost	Year	Output per man-hour	Unit labor cost
1939	100.0	100.0	1942	102.2	135.8
1940	102.5	103.3	1943	101.0	150.1
1941	102.7	116.2	1944	100.3	161.2

Source: Bureau of Labor Statistics, May 1945.

Mr. MURCHISON. I want to point out that the cotton-textile industry wages represent 60 percent of the value added by the manufacturer. That is, if we subtract from the total cost of making cotton goods, the cost of the raw cotton, 60 percent of those remaining costs are chargeable to wages.

Senator ELLENDER. Does that mean investment capital, wear and tear, and things of that kind equal 40 percent?

Mr. MICHL. The value added, Senator, is the difference between the value of the product minus the cost of the raw material and container. So that figure which is known as the value added and covers all expenes, 60 percent represents labor costs.

Mr. MURCHISON. So the size of that figure indicates the importance of wages in relation to prices.

Now, taking all manufacturing industry in America, that ratio of wages to value added according to the Bureau of the Census is 39.3 percent, but for cotton, it is 61.3 percent.

Senator TUNNELL. You are not reading now from your statement?

Mr. MURCHISON. No, I was just referring to figures aside from the manuscript.

Senator ELLENDER. You say for cotton it is 60 percent?

Mr. MURCHISON. For cotton goods.

Senator ELLENDER. And the other is what?

Mr. MURCHISON. Thirty-nine percent for the industry as a whole throughout the country.

Senator ELLENDER. Does the 39 percent represent the entire labor cost from the time that the ore, for example, leaves the mine until it is made into steel and from steel into the various finished products that go to the ultimate consumer?

Mr. MURCHISON. No, that is the value added to the raw material.

Senator ELLENDER. Does it take the labor cost of the steel from the blast furnace, or from the mine?

Mr. MURCHISON. That point I do not know, sir.

Mr. MICHL. The cotton mills take it when the cotton is delivered to the mills. It has nothing to do with the raising of the cotton.

Mr. MURCHISON. That is right.

Senator TUNNELL. You start with the value of the cotton at the time it is sold to the mill?

Mr. MURCHISON. Yes.

Now, in the consideration of wage increases, of course great value is attached to the possibility of increasing the productivity of labor, but in our industry we feel that the possibility for any important increase in the productivity of labor is rather scant. There has been no technological change of importance during the war, such as characterized the munitions industry. We had the same machinery that we had in 1939.

Because of the excessive wear due to the expanded running time and inability to replace worn equipment in the mechanical plants in this industry, the equipment was much less efficient than it recently has been. You see we were unable to get any new machinery during the war, except for some bottleneck equipment and repair parts.

Referring again to table I in the manuscript, labor productivity at the end of 1944, according to the Bureau of Labor Statistics, was only .3 percent higher than in 1939, and unit labor cost reflecting the higher wage rates and dilution of our labor supply but not affecting the last wage increase was 61.2 percent higher than in 1939.

That table is extremely illuminating. They are official figures. Running your years down, the output per man-hour from 1939 to 1944 shows almost no change. There was some increase in productivity in 1940, 1941, and 1942, but it dropped again in 1944.

Senator TUNNELL. How about the total production?

Mr. MURCHISON. Well that total production has also gone down in 1944 and 1945, due to scarcity of manpower.

Senator TUNNELL. No doubt profits went down also, did they not?

Mr. MURCHISON. Yes, sir, very sharply, as was indicated by the action of the OPA.

Now, look at that unit labor cost. That means the labor cost per hour of output on the average. That is again from the Bureau of

Labor Statistics. That means the labor cost per pound or per yard of cotton goods has gone up 61.2 percent since 1939.

Senator ELLENDER. There is just one question on that point I would like to ask you. A while ago you said that with 116,000 more people, or 22 percent in round figures, more labor than you had in 1939, you produced around 40 percent more yardage.

Now, Senator Tunnell asked you the question: Isn't it a fact that although the per unit cost was a little higher, yet by producing more yardage with less labor, your final costs were not any greater than they were in 1939?

Mr. MURCHISON. Of course, we have reference here to the unit cost, the cost per pound or the cost per yard. A big increase did take place, looking at the total figures as to the increase in yardage, but not so great a percentage increase in number of workers. This would appear to be rather paradoxical.

Senator ELLENDER. The number of laborers increased only around 22 percent, but your production, with only that additional amount of labor and with no technological advances, as you said, increased 40 percent.

Mr. MURCHISON. There was a sharp increase, of course, in wages during that period.

Senator TUNNELL. How about your sale price? Was there any increase in that?

Senator ELLENDER. I cannot quite get it.

Mr. MICHL. I think I can clear it up, Senator. What you have done was take the number of workers in the labor force in 1939, as compared with the big figure of 510,000 which gave you an increase of 22 percent, taking your figures. Those figures are correct, but what you did not allow was that those workers who were employed in 1939, the 394,000 were not working a full week then. The result was that in 1942, when we employed 510,000, we had increased our staff by more than 100,000, and they, together with the 394,000 were working more hours in 1942 than they had ever worked in 1939.

Senator ELLENDER. That is what made that per unit labor cost higher?

Mr. MICHL. No; that is the thing that made possible the increase in our total production. The productivity of that labor, the amount they produced in 1 hour in 1944 was only three-tenths of 1 percent higher than in 1939, but due to the increase in wage rate, plus the decrease of efficiency in the workers, due to the dilution of our labor supply, the cost of producing a given unit of cotton textiles in terms of labor cost increased 61.2 percent.

Sentor ELLENDER. I see.

Senator TUNNELL. You say there was an increase in cost of labor per unit 61.2 percent. Now, what was the increase in the sale price per unit?

Mr. MURCHISON. Well, of course, that varied tremendously, Senator. We are going to come to that table to illustrate those differences.

Senator TUNNELL. That is fine.

Mr. MURCHISON. I think we can go right straight to that now.

Sentor TUNNELL. It would be well to have that testimony.

Mr. MURCHISON. Not only have there been no changes in productivity during the war but, at the present time, there is nothing on the horizon which promises any great improvement in textile technology

in the near future. Textile machinery manufacturers were converted entirely to war production and research in textile machinery was almost entirely suspended.

The only increase in productivity in the near future must come primarily from the return of our experienced workers from war industries, better maintenance of our existing equipment, and gradual replacement of our present worn machinery. All increases in costs beyond the very narrow margins provided by these factors must be paid for with higher prices for cotton textiles.

The industry needs almost complete machinery replacement and the capacity of the machinery manufacturers is so limited, or at least is normally so limited—it may go through a phenomenal expansion in the near future—it would take the machinery manufacturers about 20 years to replace the industries' equipment. So it is essentially a slow process.

Senator TUNNELL. You do not mean by normal number of factories not now in war work?

Mr. MURCHISON. They are now making the machinery, just going through a conversion process.

Senator TUNNELL. You mean they are now in the process of making cotton textile machinery to supply as many factories as you expect to have a year from now?

Mr. MURCHISON. We hope there will be some more.

Senator TUNNELL. You mean those now in operation would require 20 years to get fixed?

Mr. MURCHISON. At the prewar rate of output, because normally, before the war, the new machinery produced each year was only about 5 percent of the existing machinery.

Senator TUNNELL. The demand was not for any more; is that right?

Mr. MURCHISON. That is right.

Senator TUNNELL. You wore them out during the war?

Mr. MURCHISON. During the war it has been run continuously.

Senator TUNNELL. Yes.

Mr. MURCHISON. Now, we come to the effect of the recent wage increases on prices as determined by the Office of Price Administration.

The Office of Price Administration, in order to make clear that the price increases were due to the labor increases, made their new price determinations in two classes, or two bands, as you will see there. The lower band represents those price increases which were due to higher cost of cotton, and higher conversion cost generally, excluding the recent wage increase.

Now, the higher band represents the price increase to those mills who had incorporated the recent wage order into their wage structure—that is, the mills were paying the 5 cents across the board and the 55-cent minimum.

Senator ELLENDER. When you say "higher wages," would you indicate to us from what period to what period? Is it from 1938 to 1941, or 1942?

Mr. MURCHISON. No, no. The increases which were authorized by the War Labor Board in June of this year.

Mr. MICHL. In February.

Mr. MURCHISON. In February of this year, the very last increase.

Senator ELLENDER. From what to what was that?

Mr. MICHL. Roughly it was from anywhere from 47½ to 50 cents minimum, 55 cents plus five cents across the board.

Senator ELLENDER. And this table reflects the additional amount?

Mr. MICHL. That is correct. Your prices had to be increased over those that prevailed a year ago, or at the time of the decision

Senator ELLENDER. I see. That is most interesting. We have been looking for evidence of that kind right along, in the light of the fact that quite a few witnesses from the departments testified that wage increases would not have any appreciable effect on the price structure.

Senator TUNNELL. I would like to know what the third column means, "Percent higher over lower band." Is that the percentage by which the prices increased?

Mr. MURCHISON. The higher band exceeds the price increases in the lower band, you see.

Senator TUNNELL. Let us get it down to something we can understand.

Mr. MURCHISON. You take the first item, carded cotton yarns, the higher band is 4.44 percent. That is the percent increase in price that was given to those mills that had raised their wages in line with War Labor Board recommendations.

Now, those mills who had declined to accept the War Labor Board recommendations are in the lower band, and they got an increase of only 2.23 percent, so that the mills in the higher band got an increase which was 99 percent greater than the mills got in the lower band.

Senator TUNNELL. That is just a percentage of the rise?

Mr. MURCHISON. That is right.

Senator TUNNELL. Do you mean that the rise was only 2.23 percent in price as compared to what it was prior to the war?

Mr. MURCHISON. No.

Senator TUNNELL. What does that 2.23 percent mean?

Mr. MURCHISON. That means the increase over the then existing price which, in the case of the carded cotton yarns, goes back to the spring of 1943.

Senator TUNNELL. Then it was as compared with 1943?

Mr. MURCHISON. That is right.

Senator TUNNELL. And the highest increase over 1943 in carded cotton yarns was 4.44 percent?

Mr. MURCHISON. That is right.

Senator ELLENDER. But this 1943 price was the price that prevailed just before the wage was changed?

Mr. MICHL. That is right.

Senator ELLENDER. So that the cotton mills were receiving from 1943 to February of this year, the price that was fixed back in 1943?

Mr. MICHL. That is right.

Senator TUNNELL. Was that because they were not making sufficient profit, or why was it that they were wanting that increase?

Mr. MURCHISON. Well, these price increases were granted by the Office of Price Administration on strict cost-accounting methods. They sent their cost accountants out to the mills in the field, and spot-checked the costs.

Senator TUNNELL. And did they take into consideration the profits being made in the business or not?

Mr. MURCHISON. Oh, yes; they took everything into consideration.

Senator TUNNELL. They took everything into consideration and allowed 4.44 percent increase as the highest addition?

Mr. MURCHISON. That is right. You see, the classifications vary greatly, Senator. The first item is carded cotton yarns. You notice that it comes to bed linens, bleached pillow tubing and the figures are very much higher. Now, that is due to two reasons:

In the first place, the labor factor is more important in that type of commodity, and, in the second place, they were in a much more disadvantageous price situation to start with than the cotton yarns, and they got a bigger increase.

Senator ELLENDER. Why should the lower band be 6.46, which represents, I understand an increase in price of bed linens, in contrast to the carded cotton yarns of 2.23 percent?

Mr. MURCHISON. It was not exclusively cotton. It is primarily cotton, but it is due to other conversion costs, mill supplies, things of that sort. It is not exclusively an increase in the cotton price.

Senator ELLENDER. Would you be good enough to tell us what the lower band increases consisted of? The price of cotton and what else?

Mr. MURCHISON. The higher band prices represent the sum of first the landed mill equivalent of July 15 parity for cotton plus a tolerance of one-fourth cent per pound.

Some conclusions of the extent of the price revisions that could be expected from the proposed rates may be drawn from table II. This table shows the price relief granted by the OPA on a variety of cotton textile products. The higher band prices represent the sum of (1) the landed mill equivalent of July 15 parity for cotton plus a tolerance of one-quarter cent per pound (2) the weighted average of current conversion costs, including the cost of the last wage increase, and (3) a margin of profit. The lower band prices were computed on the same basis, except that the weighted average of conversion costs does not include the cost of the last wage increase. It should be pointed out that the adjustments of these prices were brought about by a wage increase considerably smaller than the rates in the proposed bill.

(The table referred to is as follows:)

TABLE II.—*Revised maximum prices for certain cotton textiles*

Item	Percentage		
	Increase		Higher over lower band
	Higher band	Lower band	
Carded cotton yarns	4.44	2.23	99
Bed linens, types 180, 140, 128, 112	9.28	6.46	44
Bed linens, back-filled type	24.74	19.58	26
Bleached pillow tubing, type 128	22.75	19.66	12
Cottonades and whiperods	9.95	6.95	43
Pants coverts	9.95	6.95	43
3.60 chambray	4.975	1.975	152
3.60 shirting covert	12.67	9.86	27
All other shirting, chambray and coverts	19.73	16.31	21
Print cloth	7.19	4.06	77
Osnaburgs	8.95	6.19	45
Flannels	6.48	3.46	87
Terry products	6.7	3.2	110
Denims	7.0	4.6	57
Warp sateens, grey carded gabardines, birdseye, diaper cloth	11.8	8.13	45
Pin checks and pin stripes	11.4	9.0	27

Senator TUNNELL. You mean they were not supposed to increase their profit?

Mr. MURCHISON. No, sir; they applied the net worth formula which kept the profit factor a constant.

Senator TUNNELL. You mean constant as to total profit or constant as to the unit profit? What was the constant there?

Mr. MURCHISON. Constant as to the dollars-and-cents profit in the base period.

Mr. MICHL. It was return on net worth.

Senator TUNNELL. Net worth of what?

Mr. MICHL. Of the industry.

Senator TUNNELL. What was the net worth of the industry?

Mr. MICHL. I could not give you the figure offhand. I would be reluctant to say. It was pretty close to a billion dollars.

Senator TUNNELL. Pretty close to a billion?

Mr. MICHL. Yes.

Senator TUNNELL. Wasn't it over a billion?

Mr. MICHL. Not in the base period. It is now.

Senator TUNNELL. Base period of what years?

Mr. MICHL. Base period of 1936–39.

Senator TUNNELL. Is the machinery worn out? Why should it be worth so much more?

Mr. MURCHISON. Of course, the net worth includes much more than the machinery, Senator. It is made up partly of the relationship between the mill liabilities and assets. During the mills' prosperous period they paid off their liabilities and increased their assets, and of course, they had maintained their machinery. They were able to get replacement parts and repair parts.

Senator TUNNELL. Yes.

Senator ELLENDER. Well, there is no doubt that the cotton mills all over the country made big profits during the war, as contrasted to prewar, for the simple reason that all of their machinery ran to full capacity at all times. Isn't that true?

Mr. MURCHISON. That is right.

Senator TUNNELL. Well, they were not making such terrific profit when they had to go and ask for rises in the prices in order to keep out of bankruptcy, were they?

Mr. MURCHISON. That is exactly right, Senator. The general estimates of the cotton-mill profit have been thrown around, and they have been very misleading.

Senator SMITH. Let me ask one question more on this table here. It is not quite clear to me. I understand the lower band figures do not include the wage increases.

Mr. MURCHISON. That is right.

Senator SMITH. If that is true, how do you get as big a percentage increase in bed linens there and the pillow tubings, and so on, 19 percent plus? If it does not include the wage increases, what was the condition in that particular case that made it so much higher in this table?

Mr. MURCHISON. You are speaking of what?

Senator SMITH. The bed linens, back-filled type, 19.58 percent; bleached pillow tubing, 19.66 percent, in the lower band column, and in the higher band column, where it does not include the wages, 24.74 on the one and 22.75 on the other. If you do not include the wages

in the lower band, I am not quite clear what those items could have been that expanded that percentage so much.

Mr. MURCHISON. The ratio of wages in those end-use products, you see, becomes much higher. In the case of carded yarns, the wage would have an importance, we will say, of 20 percent. That is only a guess, or an approximation. It would have a weight of 20 percent as compared to the total value. Whereas in the case of the bed linens, which are actual sheets, the wages would have a weight much more than 50 percent.

Senator SMITH. I still am not clear. I thought in the lower band column, the wage increase was not included, and that is the reason you had these two contrasting columns.

Mr. MURCHISON. I beg your pardon. I thought you were comparing the 19.58 with 24.74.

Senator SMITH. I am comparing both.

Mr. MURCHISON. I was explaining that difference.

Senator SMITH. I do not see why an increase was allowed in the lower band column which I assume means that that increase was allowed, if that does not include the wage increase. What were the items that made up that spread there?

Mr. MURCHISON. Senator, I think the explanation there is that the various products in the industry were made at different times, and consequently in the case of bed linens, they were running badly behind at the time this price adjustment was made, and they were much worse off than the carded yarn people.

Senator SMITH. That is what I assume. This is a sort of over-all picture of the whole price structure. That is, you show here the extra allowance made to the mills that did get the increases and those that did not.

Mr. MURCHISON. This table shows the irregularity existing throughout the industry. Many mills would be making very handsome profits at a time when other mills were operating at a loss.

Senator TUNNELL. Then the second column simply means the increase was given to them to pay their bills, their old debts?

Mr. MURCHISON. In the higher band there, it is just simply saying to the mills, "If you come up to the wage increase, you get the increased price."

Senator TUNNELL. What about the second one? What would you say about that?

Mr. MURCHISON. In the case of the lower-band increase, that was partly due to the rise in cotton, you see, and they had to give an account to them under the Bankhead amendment.

Senator TUNNELL. It was partly due to that. Now, what was the rest?

Mr. MURCHISON. Then all conversion costs exclusive of wages entered into it.

Senator ELLENDER. Did all mills that made carded yarns receive the same percentage; that is, the one reflected in the higher band and the one reflected in the lower band?

Mr. MURCHISON. No; those percentages are all different there, Senator.

Senator ELLENDER. Well, a mill that qualified under the lower band, did it also qualify for the rise in the higher band, or were each treated separately?

Mr. MURCHISON. No; it would step over the lower band, you see. If it qualified for the higher price, it just ignored the lower band.

Senator ELLENDER. A mill could take either one to qualify under?

Mr. MURCHISON. That is right.

Senator TUNNELL. Was that individually, or just in two classes that that ruling was made?

Mr. MURCHISON. Well, that ruling was made applicable to practically the entire industry.

Senator TUNNELL. They just took their choice?

Mr. MURCHISON. There was an exception in the case of combed yarns. These cotton mills specialize in certain products.

In the case of these carded yarns, most of those mills would make nothing but yarns. In the case of bed linens, the same mill making bed linens might be making a profit there on fabrics. So there is a tremendous variation in the type of the different mills.

Now, gentlemen, I hope I have made that clear. The purpose of introducing that price list was just for one thing, just to show that the Office of Price Administration engaged in the process of holding the line, and was compelled, as the result of recent wage increases, to increase prices, as shown in these tables, and that is the best evidence that I know of anywhere as to the effect of wage increases on prices.

Senator ELLENDER. Have you in any place in your paper, or could you prepare for the record, a statement showing the effect on price increase of yarns and other textile materials, should the wage be increased from 55 cents, which is now in effect, to 65 cents for the first year, 70 cents for the second year, and 75 cents for the third year?

Mr. MURCHISON. We would have to assume, in order to do that, the adjustment in the upper bracket would be in the same proportion.

Senator ELLENDER. I see.

Mr. MURCHISON. But we would be glad to undertake that, Senator.

Senator ELLENDER. Well, if you will, I think it might be most helpful.

Mr. MURCHISON. It, of course, would represent a very much greater increase than those indicated here on table II.

Senator ELLENDER. I think it would be very important to show that, in view of the fact that there has been so much testimony by the proponents of the bill that this increase in wages will not show an appreciable increase in the cost of living.

Senator TUNNELL. What I am interested in, is how much increase it would be over what is now paid, not over the legal rate.

Senator ELLENDER. That is what I said, Senator, the 55-cent rate and not the legal rate.

Senator TUNNELL. Yes; but they are paying 69.2 cents now.

Mr. MURCHISON. That is an average, not the minimum.

Senator TUNNELL. I would like to know what increase it would be actually.

Mr. MURCHISON. Well, it certainly would be more than 10 cents an hour across the board for the entire pay roll, which would be practically twice as much as the recent wage increase.

Senator ELLENDER. That is for the first year?

Mr. MURCHISON. For the first year.

Senator ELLENDER. And then 10 cents an hour more for the next 2 years?

Mr. MURCHISON. That is right.

It should also be emphasized that the increase in price of cotton textile products would not be limited to the increase in the prices of cotton yarn and fabrics.

As was pointed out earlier, since the spinning of yarn and the weaving of cloth are only the first of several manufacturing operations through which cotton passes on its way to the ultimate consumer, the effect of this bill would be to increase costs at every stage of the manufacturing and distribution structure. As most of the knit goods and needles trades require the use of a large amount of labor, and since their wage structure is comparable to that of this industry, the impact of this bill would be as heavy as on this industry.

During the last year, officials of the Office of Price Administration have repeatedly expressed alarm over the trend of prices of textiles and clothing. In February, Mr. Bowles stated that

> inflation in clothing prices * * * threatens the stabilization line more seriously than any other single factor.

Mr. Ney, Deputy Administrator of Price, a month later stated that—

> the main reason for the resumption of the climb in the cost of living and the principal danger of a further rise is to be found in the textile and clothing area.

Since these warnings were issued the OPA, according to press reports, has again found it necessary, because of rising costs in the clothing industry, to postpone its long promised roll-back of clothing prices. Further increases in wage rates in this industry and in the textile finishing and fabricating industries will require a further rise in prices. With cotton clothing accounting for about 20 percent of all clothing items in the BLS Cost of Living Index, the effect of a substantial increase in the price of textiles and textile products on the cost of living is apparent. In short, the proposed bill is definitely inflationary and should be recognized as such.

Can the market absorb higher prices? As has been previously shown, the large increase in wage rates since 1939 was made possible by a market such as this industry has never known before and one which is not likely to continue much longer. There is good reason to believe that the present shortages, both domestic and foreign, will provide this industry in the immediate future with a market somewhat larger than it enjoyed in 1939. That the market will be as large as during the past 3 years we seriously doubt. We think it will fold up for a while; it is bound to.

The tremendous direct and indirect military requirements, which accounted for about 50 percent of total requirements, have already been drastically reduced. The size of the socalled "vaccuum" for cotton textiles is entirely a matter of conjecture, and the extent of military surpluses and the effects of their disposal is at present unknown.

Beyond the immediate future the situation which confronts this industry is radically different from the conditions which prevailed during the past 4 years. The reconversion of the American industrial plant to peacetime production will again unleash the competition between this industry and other domestic textiles and textile substitutes such as paper. In this competitive struggle the cotton textile industry because of its large labor requirements is already in a disadvantageous position and this bill would weaken it even more.

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Many of the expanded markets will shrink with the resumption of international trade, notably with the return of Indian jute and burlap. As a result of shortage of shipping facilities beginning in 1940 imports of jute and burlap were drastically reduced in the face of growing requirements, and the burden of supplying a substitute fell upon this industry.

This shortage will be eliminated as soon as shipping facilities are made available and with a widening spread between the prices of jute products and cotton textile products jute will make inroads into markets we enjoyed prior to 1939.

Hanging over the industry's international position is a dark cloud compounded of the reconversion of Great Britain's textile industry, the rise of the textile industry in Latin-America, and possible further reductions in textile tariffs under the recently extended Reciprocal Trade Agreements Act.

Already handicapped with raw-cotton costs that are more than 4 cents a pound higher than those of foreign spinners, and for which no protection exists in the present tariff law, with a wage differential already more than twice as high as our highest-cost competitor, the enactment of this bill with the proposed rates would shackle American cotton textiles in competition with imported textiles in the domestic market and remove them as an important factor in world exports.

Senator SMITH. May I ask you a question there?

That seems to imply that we have to make the workers in these mills pay the cost of maintaining the industry. Cannot we be thinking in terms of a policy that would protect our workers? I mean a revised reciprocal-trade-agreement policy in our international dealings under which we can try to raise the standards of living of our people and also encourage other countries to come up to our standards by tariff concessions where they do so. I think there is a big national policy involved in this whole picture.

Mr. MURCHISON. A tremendous national policy. As far as our industry is concerned, we are not for 1 second in opposition to the highest possible wage that can be paid; we are merely pointing out what the implications are.

Senator TUNNELL. Is this 4-cent subsidy any good at all?

Mr. MURCHISON. Well, the cotton is going out very fast, Senator.

Senator TUNNELL. What do you mean by that?

Mr. MURCHISON. We are now exporting cotton at the rate of 2,000,000 or 3,000,000 bales a year, when, for a period of several years there were practically no exports.

Senator TUNNELL. So it does make a heavy drain on the Treasury?

Mr. MURCHISON. Yes; 4 cents a pound is $20 a bale, and with 2,000,000 bales you can figure for yourself what that amounts to. It would be $40,000,000.

Senator TUNNELL. I am trying to figure out whether it has a beneficial effect on the industry, in your opinion.

Mr. MURCHISON. Well, it benefits the farmers, Senator.

Senator TUNNELL. It does benefit the farmers?

Mr. MURCHISON. It benefits the farmers because it enables that cotton to flow out, otherwise it would pile up here. It could not possibly compete with Brazilian cotton without parity prices.

Senator TUNNELL. Does the farmer get the full benefit of that 4 cents?

Mr. MURCHISON. I am sure he does. As a matter of fact, cotton now is above parity slightly.

Senator TUNNELL. I have been hearing people talk about cotton goods during the period of the war. They said they could not get them at all. Now, I was interested in your statement that you feared that the market was not going to be so greatly increased.

Mr. MURCHISON. Well, we must distinguish there between raw cotton and cotton goods. Now, the limiting factor on cotton goods during the war has been only the machinery, the machinery and manpower. There has been, on the other hand, a very large surplus of raw cotton prior to the war, a very burdensome surplus.

Senator TUNNELL. The Government owned several million bales.

Mr. MURCHISON. Several million bales. Our reference to the markets had to do with the cotton products, cotton goods.

Senator TUNNELL. Well, if people can get them I still think they would want cotton goods.

Mr. MURCHISON. Yes, sir; and we will do all we can to see that people get them. I think most of the shortages we now see will have disappeared in January or February.

Senator TUNNELL. The profits were 50 percent at least from Government bought articles, I take it, from your statement.

Mr. MURCHISON. Yes; that is right. The Government, directly or indirectly, for military purposes, was taking at least 50 percent.

Senator TUNNELL. That is what I thought you said.

Mr. MURCHISON. Fixing of occupational minimum rates: Our objections to this bill arise not only from our deep concern over the inflationary pressures it will exert on our cost and price structure, and the adverse effect it will surely have on the competitive position of, and employment in, this industry. We are also opposed to it because it grants too much authority to the industry committee by permitting them to recommend minimum wage rates for interrelated job classifications in order to maintain "reasonable" wage differentials within the industry. More specifically, we are opposed to this additional grant of power to the industry committee because—

1. It completely distorts the purpose and intent of the Fair Labor Standards Act.

2. It gives the industry committees duties which they could not intelligently and efficiently administer.

3. It will introduce into the wage structure a high degree of rigidity which, in practice, would be impossible to change when such changes are made necessary by a developing technology.

4. It is unnecessary because increases in the minimum wage for unskilled workers automatically force increases in wage rates above the minimum.

Senator ELLENDER. Exactly how far can industry advisory committees go?

Mr. MURCHISON. Oh, all the way up to the top of the wage structure.

Senator ELLENDER. Is it your understanding that these advisory committees have the right to give the same rate of increase to those in the higher brackets as is sought to be done in the bill now under consideration?

Mr. MURCHISON. Oh, yes.

Senator ELLENDER. There is no limitation?

Mr. MURCHISON. No limitation. Senator, as we look at it, the bill is greatly misunderstood.

Senator ELLENDER. You mean by some.

Mr. MURCHISON. Yes. It is commonly thought of as being a minimum wage bill. We have been discussing it as a minimum wage bill for the last few months, but, as a matter of fact, the more important implication is it is not primarily a minimum wage bill, it is primarily a bill for the purpose of placing under the jurisdiction of the Fair Labor Standards Act the entire wage structure of the whole economic system, from the bottom right up to the top. It is that feature of the act which I would like to discuss now.

Purpose of the act: The purpose of the Fair Labor Standards Act is to place a floor under the wage structure and a ceiling over hours. It was recognized by Congress that competition for jobs was most severe among the workers in the unskilled group and that in hard times their wages recede to levels which it considered undesirable. Accordingly, it was for this group that Congress through this act undertook to establish a minimum standard of living necessary for health, efficiency, and general well-being. It was frankly minimum wage legislation and nothing more, and was not intended to determine or influence the wage of all workers in industries subject to the act because Congress recognized it could not legislate wisely on such details even if it had the desire to do so.

This bill completely distorts the purpose, intent, and effect of the law. Under the guise of maintaining reasonable wage differentials between the minimum wage for unskilled workers and rates for interrelated job classifications, it places the entire wage structure of this industry under the jurisdiction of industry committees and, through them, under the control of the Government. If this provision of the bill is enacted into law the Fair Labor Standards Act ceases to be a minimum wage law to fix the wages of all workers employed in manufacturing industries. Such drastic and comprehensive wage fixing has never been undertaken before, and has no place in what purports to be minimum wage legislation.

But even if it were the desire of the Congress to extend the power of Government over the wage structure of an industry, we submit, on the basis of experience, that the mechanism of the industry committee is totally inadequate for the task and imposes upon the committee responsibilities which they could not efficiently and intelligently exercise.

Senator ELLENDER. You feel better results in this field could be arrived at by collective bargaining with the organized workers?

Mr. MURCHISON. Exactly. Our recommendation is that the devices which management and labor use should be used in those upper brackets.

Senator ELLENPER. That is what I mean.

Senator TUNNELL. Is the system of leaving it to a settlement between the employer and employee working out very satisfactorily now?

Mr. MURCHISON. Well, it is hard to use the word "satisfactorily". I would say, over the long run, yes.

Senator TUNNELL. We hear a good deal of discussion of strikes, walkouts, and so on, at this time.

Mr. MURCHISON. That is true.

Senator TUNNELL. Do you think that is an indication of the desirability of placing them all in the same position?

Mr. MURCHISON. Senator, the strikes we have always had. They are a commonly accepted method.

Senator TUNNELL. You think they are a good deal like fleas?

Mr. MURCHISON. Well, they can be pretty good sized fleas sometimes. I would not want to treat them as casually as that, but I do think that the strike as a device would certainly be preferable to an arrangement which sets up a system of fascism under the Government.

Senator TUNNELL. I would like for you to tell us what provision in this bill changes the whole outlook. Such drastic and comprehensive wage fixing has never been undertaken before. Now, tell us what there is in this bill that warrants your statement to that effect?

Mr. MURCHISON. The bill specifically authorizes the industry committes to establish wages in all the interrelated job classifications, and of course under the administration of the act it would be necessary for the committees to establish the job classifications.

Senator ELLENDER. In all industries?

Mr. MURCHISON. In all industries, to maintain the differentials that would have to go right up to the top of the wage structure. I do not think organized labor would relish that any more than management.

Senator TUNNELL. You mean this bill, if it becomes a law, would authorize the governmental agency to fix anything more than the minimum hourly wage?

Mr. MURCHISON. Oh, yes, sir.

Senator TUNNELL. In what way?

Mr. MURCHISON. All the way up to the top.

Senator TUNNELL. They would fix all wages?

Mr. MURCHISON. The industry committee would first determine the minimum wage and then it would go all the way up to the top in that industry, to establish all the differentials.

Senator TUNNELL. According to your theory, the Wage and Hour Division, or its committees, would go all the way to the maximum wage?

Mr. MURCHISON. That is right.

Senator TUNNELL. And tell what you could pay at each stage?

Mr. MURCHISON. That is right. In order to do that, Senator, they would have to classify the jobs as they went along, because from one factory to another the nomenclature of the jobs may vary. A job will be called something in one factory, it will have a slightly different meaning, a little different work load, and in another factory it would be something different. So, the industry committees would have to standardize the jobs, standardize the work loads, determine all about the occupational differences all the way up to the top. You would have the entire wage structure under the control of the industry committees.

Senator TUNNELL. Your objection is to the fixing of anything except the minimum?

Mr. MURCHISON. That is right.

Senator TUNNELL. Do you object to the minimum?

Mr. MURCHISON. The 65-cent minimum?

Senator TUNNELL. Yes.

Mr. MURCHISON. Well, we pointed out, Senator, that there would be certainly a serious repercussion in the price level. It comes down to

a national policy. If the Government wants a general increase in the cost of living, we are perfectly willing to go along. That is what I mean, we are certain to find out what it means.

Senator TUNNELL. Don't you say then you do object to the 65-cent minimum?

Mr. MURCHISON. I would not want to say that, because it would not be correct.

Senator TUNNELL. Then, you do not object to it?

Mr. MURCHISON. Industry, as a matter of fact, would itself go to the 65-cents as rapidly as it could.

Senator TUNNELL. You, as a matter of fact, do not object to fixing the 65 cents an hour?

Mr. MURCHISON. I do not object to them fixing the 65 cents an hour as such, absolutely not. It is only the procedure, the timing that we object to.

Senator TUNNELL. And not its effect then?

Mr. MURCHISON. Well, we view with some alarm a Nation-wide wage policy which would raise generally the cost of living and so vitiate the benefits of the wage increases. That is all that could happen.

Senator TUNNELL. Do you object to raising the cost of living of the underpaid?

Mr. MURCHISON. His cost of living?

Senator TUNNELL. Yes.

Mr. MURCHISON. We certainly do.

Senator TUNNELL. Those who are getting less than what it takes to support them?

Mr. MURCHISON. We do not object to raising the wages of the underpaid. We certainly object to raising their cost of living.

Senator TUNNELL. Do you mean if you pay him more wages he would not spend more for living if he is underpaid? "Underpaid", as I mean it, is where he is not getting enough to buy the necessities of life.

Mr. MURCHISON. Well, it is a matter of proportions.

Senator TUNNELL. What do you mean by a matter of proportions? Do you mean the proportion who die from it, or what are you saying?

Mr. MURCHISON. No, not at all, Senator. I am not objecting to correcting any underpaid situation that exists. That is not the point.

Senator TUNNELL. Let me ask you this: In your opinion, is there anybody getting less than 65 cents an hour who is not underpaid?

Mr. MURCHISON. No, I would not say that necessarily, Senator.

Senator TUNNELL. Well, what do you say?

Mr. MURCHISON. I would say whether he is underpaid or not depends upon his efficiency, upon his contribution to the national product.

Senator TUNNELL. Does his contribution to the national product have anything to do with his necessities? Does not a person who does not work at all eat fairly well?

Mr. MURCHISON. I think if he is unable to contribute to the national product, then what he gets is something else besides wages. Wages are payment for work performed.

Senator TUNNELL. I understand, but when you take a person with an average family of four, himself, his wife, and two children, if he is not getting enough to support that famliy so that they get the

actual necessities, then he is certainly underpaid. For instance, we had a witness here the other day who said she was not able to have her child's teeth fixed because there was not enough calcium in the teeth. I believe she said they could not fix them because the child had not had the proper food. Now, then, do you think that indicates an underpaid condition?

Mr. MURCHISON. Well, it might very well, Senator; it might, very well. Of course, I do not think the calcium would have any relationship to pay, because many very rich people haven't sense enough to eat calcium in their food.

Senator SMITH. May I ask the witness this question?

You said wages paid for something produced. If a wage was paid for what is actually produced, then if that person needed anything more that would be a matter of philanthropy, a Government dole, or what have you. You have to offset that wage with production or else your whole economy goes to pieces.

Mr. MURCHISON. Wages cannot be paid from anything except the national product.

Senator SMITH. If it goes beyond that, then it is Government dole, or Government aid, or something else.

Mr. MURCHISON. Yes.

Senator SMITH. It has no relation to what it costs to sustain a family. We want a fellow to get a wage to sustain a family, but unless he produces for that he is then, to a certain extent, on Government charity.

Mr. MURCHISON. I do not see how you can escape it.

Senator TUNNELL. Well, your idea is we should get entirely away from the actual necessities and figure on what he produces. Then, should we have a percentage of it, or not, if you go on that theory?

Mr. MURCHISON. If we are thinking strictly of wages I think we should think of wages in relation to production. If we are thinking of the well-being, the necessities of the people not taken care of by wages, then that is something else again. Of course, those necessities should be taken care of.

Senator TUNNELL. Do you think they are?

Mr. MURCHISON. Well, for the most part. I think there are plenty of people who require help, of course, and our whole system of unemployment insurance, old-age insurance, is set up for that, which is quite proper.

Senator TUNNELL. Your idea is this discrepancy should be taken care of by certain eleemosynary institutions?

Mr. MURCHISON. No; I think the right theory of a minimum wage is to take care of the minimum subsistence requirements.

Senator TUNNELL. Now, then, a while ago I asked you something about the profits of this industry You have gone far enough, it seems to me, to be able to give us some idea. You said that the reports as to profits were misleading. Have you any facts to show what the profits have been in this industry?

Mr. MURCHISON. We have only sample facts. There are no complete reports.

Senator TUNNELL. Samples of what? Of the very successful or unsuccessful?

Mr. MURCHISON. Those mills that make public their reports. Many of them do.

Senator TUNNELL. How do you know that the figures here are wrong if you do not know what are right?

Mr. MURCHISON. Well, because we know that the Office of Price Administration, through its own field service, has gone to the representative mills in the various groups and has come back to Washington and reported the necessity of price increases in order to protect the mills from loss.

Senator TUNNELL. Then, you are really relying on the OPA for your figures.?

Mr. MURCHISON. I think the OPA evidence with respect to the last price changes is very conclusive. During the early years of the war, 1941 and 1942, I would say the profits of the entire industry were very good.

Senator TUNNELL. How about 1936?

Mr. MURCHISON. Very bad.

Senator TUNNELL. How much were the profits in 1936 in the textile industry?

Mr. MURCHISON. Negligible. Mr. Michl, do you remember?

Mr. MICHL. I will put it this way: 1936 was about the first year since 1926 that the industry operated on a profitable basis. In 1937, it was also a profitable year for three-fourths of the year. In 1938 we sustained a deficit. In 1939 the industry again made a profit. In 1940, 1941, and 1942 the profits increased before taxes. Until these price increases were granted which we read off a moment ago, the rate of profit at the end of the year had declined approximately 50 percent below that which prevailed at the beginning of the year.

Senator TUNNELL. What year was that?

Mr. MICHL. 1945.

Senator TUNNELL. Now, you said a while ago that the amount of money invested in the textile industry was probably a billion dollars. In 1936–39, before taxes, I see the profits are listed as $38,000,000. That was not a heavy percentage on a billion.

Mr. MURCHISON. A very, very low percentage.

Senator TUNNELL. It is a little less than 4 percent.

Senator ELLENDER. 3.8 percent.

Senator TUNNELL. Yes, 3.8 percent. In 1939, it was listed as $38,000,000. In 1940, it was $71,500,000. Now, that was before the war.

Mr. MURCHISON. And that was before price ceilings. The profits were very satisfactory, but they were higher than that in 1941 and 1942.

Senator TUNNELL. I know. I am going to read them to you. In 1941 they were $214,000,000. That is 21 percent and over. In 1942, they were $378,000,000.

Senator SMITH. Wasn't that before taxes?

Senator TUNNELL. Yes.

Senator SMITH. That was during the step-up for war production, I think. Then, the taxes, of course, took away the profit from the industry.

Senator TUNNELL. They had started before 1941. They were then very satisfactory, so this gentleman said. In 1942 they were $378,000,000, and in 1943 they were $350,000,000; in 1944 they were $340,000,000. It is more than that in percentage over what it had been because you had gone from less than $40,000,000 to $340,000,000—so it is about 800 percent.

Mr. MURCHISON. Senator, those figures which you refer to, the ones that have been thrown around—those figures represent an assemblage of profit from an industry that has no relationship to the industry of 1936–39, with wool rayon and all the new developments. A lot of the mills in 1936 and 1939 did not have any finishing plants; they did not do their own converting operations, so those figures include the assumption of new functions and processing of new fibers, the development of many new fabrics, and all the way to the end uses, resulting in an integration process which was not in existence in 1936–39. So, for the purpose of making a fair comparison, you would have to compare the profits of this war period with the profits of the same mills doing the same things, making the same products in 1936–39, and then you would get a quite different story.

Senator TUNNELL. Well, I asked you if you have a statement as to the amount of investment, and you said you did not, except by examples.

Mr. MURCHISON. Well, now, the investment as it was just before the war was variously estimated at billion to a billion and a half. You cannot get it exactly, Senator, because the industry was going through a long period of liquidation, beginning in 1923 when the industry had 34,000,000-plus spindles which were cut down to about 24,000,000 spindles at the beginning of this war and which at the present time is down to about 23,000,000 spindles.

Senator TUNNELL. Now, all of these profits I have referred to were before taxes.

Mr. MURCHISON. Before taxes and include functions and products which had been assumed by the industry. You see, when you speak of the industry it is such a general term that it includes everything that has to do with textiles. You do not get a fair comparison.

Senator TUNNELL. Don't you think it might include wages which should have been paid the employees?

Mr. MURCHISON. Well, the wages went up very sharply, Senator.

Senator TUNNELL. What percentage?

Mr. MURCHISON. As we pointed out, 80 percent.

Senator TUNNELL. But profits went up about 800 percent.

Mr. MURCHISON. Well, of course that would have been totally impossible.

Senator TUNNELL. Well, you would have thought it was impossible to get eight times as much profit, too, would you not?

Mr. MURCHISON. Senator, that greater profit is not attributable to each and every mill. You are speaking of a rate of profit there which applies to an entire group, which is totally different from this group which existed in 1936–39. It is an unfair comparison.

Senator TUNNELL. If that is true it would mean some of them made many times more than that and some of them much less.

Mr. MURCHISON. You are talking about a very much more variegated group now than the group in 1939. For example, in 1939 there was a mill making nothing but gray goods. Well, in 1942, it was doing its own finishing, its own converting, making its own end-use products, it was just a different organization entirely. Its functions spread over a much greater area. Yet the people who got those figures up would take this mill that is doing two, three and four times the work in 1942 and 1943, with much bigger functions, and you take

the profits involved and compare them to the profits back in 1939, with just a little gray goods mill, and say, "Just look how the profits have gone up." It is like comparing the Ford Motor Co. in 1939 with the Ford Motor Co. in 1914. It simply is not a scientific procedure for measuring profits in industry.

Senator TUNNELL. In 1941, which was the year when our war began, on December 8, your profits were $214,000,000 on an estimated capitalization of a billion, or 20 percent.

Mr. MICHAEL. As a matter of fact, Senator, as far as the war was concerned, it began to exert its influence in this industry as early as 1940.

Mr. MURCHISON. Even in 1939.

Senator SMITH. We were selling cloth to the British.

Senator TUNNELL. Yes, and we had a job getting it there, too. We had to arm the ships, and so on, and finally our ships were sunk when they were attempting to carry those things.

Mr. MURCHISON. Again, Senator, I think it is only fair to point out in this connection that we have got an excess-profits tax that goes up to the 95 percent bracket.

Senator TUNNELL. Yes, but you would not be counting on that if you were paying it in wages.

Mr. MURCHISON. These funds are absolutely essential for the financing of the war.

Senator TUNNELL. Well, it works out very well that way, but I am talking from the standpoint of what you can afford to pay.

Has any section of the cotton-textile industry granted the 65-cent minimum?

Mr. MURCHISON. Yes, sir.

Senator TUNNELL. What one?

Mr. MURCHISON. I understand that contracts were made in Fall River and New Bedford, I think yesterday, granting the 65-cent minimum, which was arrived at through an agreement between management and labor.

Senator TUNNELL. Do they make so much more profit than others?

Mr. MURCHISON. Well, I should not think so, but I do not know, Senator. I do not have the profit figures.

Senator TUNNELL. Is your Cotton Textile Institute against the 65-cent minimum?

Mr. MURCHISON. As a minimum wage or as a statutory requirement?

Senator TUNNELL. As a statutory minimum wage.

Mr. MURCHISON. Well, we feel that it would be an unwise national policy to have that as a statutory requirement.

Senator TUNNELL. Well, you have a statutory minimum requirement now, don't you? So it is not on principle that you are objecting.

Mr. MURCHISON. No, not on principle.

Senator TUNNELL. What is it on?

Mr. MURCHISON. It is on the practical situation as it exists today. You see, right now, Senator, we are starting on the top point of price increases and wage increases brought about by the war.

Senator TUNNELL. I think there is something to what you are saying.

Mr. MURCHISON. As compared to the base period, we are in a distinctly unfair condition at the moment. Now, to use this top peak which we are standing on, which few of us hardly dare to hope to

maintain, to use that as a springboard to go still higher in the air on a Nation-wide basis, simply would mean the United States Government would be, frankly, not only approving the theory of inflation but actually implementing it.

Senator TUNNELL. You think this fear of inflation would be considered by the National Legislature to a greater extent than the fear of starvation?

Mr. MURCHISON. I do not think the two are related. I think we might move closer to starvation by unwise legislation than removing it.

Senator TUNNELL. You believe this unwise legislation might endanger their lives?

Mr. MURCHISON. If it adds further impetus to the inflationary movement we know what the consequences will be. We would have bread lines the longest we have ever had in this country.

Senator TUNNELL. I should be mighty glad to have you hear what was discussed before us in the last week or two, the situation of poverty-stricken people who were getting, say, 40 cents an hour and who could not have glasses for their children, who could not have the proper food for their family, who could not live in decent homes, who could not pay the rent or have places where their children could sleep in separate rooms—all of those things. I would like to hear your ideas as to that situation, but maybe that is not what you are prepared on.

Senator SMITH. May I interject a question there, Mr. Chairman?

Senator TUNNELL. Yes; go ahead.

Senator SMITH. One of the leaders in the textile industry in my State of New Jersey—I will not mention his name—you would know him if I did—said to me recently he favored a floor such as the 65-cent minimum, because he was convinced from his own experience that where he could bring his workers up to a place where they could live decently, have plenty of food, he had higher productivity from the worker. That interests me a lot. Will not a fair minimum wage really increase the productivity, or at least bring a man up to his normal production, while you would get less than normal production if he lives under substandard conditions?

Mr. MURCHISON. I think, as you put the question, Senator, I could not find a flaw in it, but I feel full employment right now is more important as a safeguard against the hardship which you spoke of a moment ago, Senator, and we should struggle for it and then struggle with the things which really create high wages, that is, increase in productivity, increase in efficiency, bigger markets. There is no limit to which wages can go under the right kind of economic system. We cannot legislate a greater total of wages for the American people, or the people of any country, because wages must come from national product, and you cannot increase that total by legislation, but you can, by legislation, do the things which are wise, which will stimulate the economic system, which will make a bigger national product, and then the wages will go up. That should be the ambition of every worker, and every employer, to keep the wage scale going up and up endlessly.

Senator ELLENDER. Well, Senator Smith's question argues the point that by paying more wages you have a more efficient worker, but the facts which you have produced here during the course of your remarks do not justify that. It certainly shows that by increasing the wage level, you must, at the same time, increase the price of the goods you sell. If such a course is pursued the man who

will receive 65 cents per hour in the future may be in the same position as the man now receiving 50 cents, because of this increased cost.

As I attempted to point out the other day, I would be the last man on earth to try and do anything to lower our standard of living. I want to raise it, but I cannot, for the life of me, see how the standard of living is affected if you can go to a store today and buy for $5 what cost you $8 6 months ago. If I can buy the same thing for $3 less that certainly should not affect my standard of living. I believe if we can maintain for labor the basic hourly wages that obtained during the war and forget about the 30 percent, I know labor and everybody else would be better off. We might be in a position to hold down the cost of living.

Senator SMITH. Might I ask you this question in that connection? Isn't it possible, if we can steam up production, if we can keep the prices down because a larger production results in a lesser unit cost, and help control inflation by every effort to steam up production and following up your thought that you had a moment ago, if we do not try to push this too fast so we will not throw out marginal industries, that industry will have a chance to thrive and ultimately lead to a raising of the wage level?

Mr. MURCHISON. I think the basic condition there is to have an increase of production.

Senator SMITH. I think production is the whole thing. If you do not have production, then the only thing you have left is inflation.

Senator TUNNELL. I will just say right now, as far as I am concerned, as one member of the committee, I do not want to see the industry pay more than it can pay, but when I see profits of more than 100 percent made in 4 years on the estimated capital stock I do not believe you are pursuing the right course.

Senator SMITH. I cannot get away from the fact, Mr. Chairman, that this brings us into abnormal war conditions. I do not see how you can relate that to what the normal situation would be.

Mr. MURCHISON. Three years after this war is over, the industry may be wallowing in the throes of insolvency practically.

Senator TUNNELL. I never believed in staying home because I thought there was a thundershower coming up.

Senator ELLENDER. Mr. Chairman, in respect to profits—I am almost ashamed to admit this—I have a farm in south Louisiana and my profits in some years since the war have been greater than my entire gross receipts before the war. I do not expect those conditions to exist after the war. If I thought they would I would resign my seat in the Senate tomorrow and go to farming. I know that all of the profits that you have been talking about came into being as a result of the war; there is no doubt about that.

Mr. MURCHISON. Surely.

Senator ELLENDER. Now, in respect to these enormous profits, I do not know how true it is, but I understand the output of some mills was purchased by concerns not in the clothing business but concerns that bought them and dyed them and made other minor changes and sold them at prices to suit themselves. Am I right in that, or am I wrong?

Mr. MURCHISON. As a matter of act, the prices of textile fabrics have gone up very slightly during the war. The big increases in clothing field have taken placed beyond the mill level.

Senator ELLENDER. That is what I have in mind. After they left the mill something was added to the material and the prices fluctuated upward.

I was out hunting last winter near the coast in my State and I stopped at a little country store. Cotton goods that I myself purchased for 7 or 8 cents a yard several years ago were up to 30 cents a yard.

Mr. MURCHISON. At the retail store?

Senator ELLENDER. At the retail store, exactly.

Senator TUNNELL. That is the black market.

Senator ELLENDER. No, it was not a black market. It was done openly. Take dress goods, and all these ladies can tell you as to the extent to which dress goods have increased. One could buy a cotton dress in the past for $2.98, and that same dress today costs about $10 or maybe more. Maybe the Government has not been able to get after the chiselers.

Senator TUNNELL. That assumes that the mills were black markets, and I do not think they were.

Mr. MURCHISON. Absolutely impossible.

Senator TUNNELL. Our opinion here is that they were not, but we were told in one hearing that they deliberately placed more machines under the control of one weaver, I believe it was, than he could handle, in order to get condemned goods for sale on the black market.

Mr. MURCHISON. Well, that was totally impossible, because the Office of Price Administration had the same regulations on seconds as it did on firsts.

Senator TUNNELL. Apparently, they did not. There was no contradiction of that, that they were deliberately putting the cloth in such condition that it would not go under the OPA regulations and then selling it on the black market at a higher price.

Mr. MURCHISON. No, we could not, under any conditions, escape the OPA regulations. If it is just a racket that is another matter.

Senator TUNNELL. I happen to be in the chicken business, and I know something of that.

Senator ELLENDER. To go back to your statement that you do not object to the 65-cent minimum, you, of course, assume that the prices of the commodities will be raised in proportion?

Mr. MURCHISON. Absolutely.

Senator ELLENDER. Suppose this bill were enacted into law and put into effect within the 3-year limit that is stated in the bill, and suppose further that you were not able to increase the prices of your cotton goods commensurate with the additional labor cost you would have to pay, what would become of the industry?

Mr. MURCHISON. The industry would move to Brazil and China.

Senator ELLENDER. I thought so, or else close up.

Senator TUNNELL. You are not going to move to Brazil and China so long as you are making $340,000,000 a year.

Mr. MURCHISON. Well, Senator, in connection with that, may I point out the Chinese have just bought some mills, mills which you are operating right here in the United States and which would be moved to China right now, that would be over there, if it was not for a prohibition against their exports that now exist.

Senator TUNNELL. I know, but we would make some more.

Mr. MURCHISON. However much can be made here, you can make 10 times as much in South America or in China.

Senator TUNNELL. Well, that would have to be shown to me, that you could make 10 times as much in China.

Mr. MURCHISON. Absolutely. There is no limit to what could be made, and practically no burdensome tax structure along with it.

Senator TUNNELL. There is a selling problem, though.

Mr. MURCHISON. Every yard they can make is just grabbed for in every market of the world. We are importing goods into this country from Mexico that are half as good as our goods at four times the price.

Senator TUNNELL. That does not look very businesslike.

Senator ELLENDER. You have a market for it.

Mr. MURCHISON. The American cotton mills are not doing it, but I am just telling, sir.

Senator TUNNELL. That is black market—whatever you call it.

Mr. MURCHISON. Our industry, with 23,000,000 spindles, produces more cotton goods and produced more cotton goods during the war than the whole United Nations, with 80,000,000 spindles.

Senator TUNNELL. I believe that.

Mr. MURCHISON. We did it better, we did it cheaper, we were there with the goods.

The profits you speak of are an absolutely unfair representation, because as I pointed out it has got nothing to do with the realities at all on a comparable basis.

Senator ELLENDER. At that point, cannot you place in the record, aside from what you have in your statement, what you term comparable profits? I can well understand that a mill that was making ginghams, or cloth of that kind, say in 1939, in contrast with what they manufactured in 1945, if they made the same material, that profit under OPA regulations could not have been as much as the Senator points out. It would be impossible.

Mr. MURCHISON. Take individual mills producing gray goods in 1939, those gray goods up until recent price changes were actually made at a loss. What profit was made was made through the finishing operations.

Senator TUNNELL. You people saying there cannot be any such profit reminds me of the fellow who looked up at the camel and said, "There ain't no such animal."

Mr. MICHL. Could I recite these figures to the Senator?

Senator ELLENDER. Surely.

Mr. MICHL. With regard to these high profits that you have been mentioning, Senator, the cotton textile industry, on the basis of experience, is more impressed by its profits record between 1926 and 1936.

Senator TUNNELL. That is the period when we were just told that they did not even make expenses.

Mr. MICHL. That is correct. That is the condition that we see ahead when the postwar vacuum has been filled. I would like to point out in that connection that in the 10 years prior to 1936, in only 3 years of that 10-year period did the number of cotton mills reporting a profit exceed the number reporting a deficit. In 7 of the 10 years more companies reported deficits than reported profits.

Senator TUNNELL. They are not reporting anything now, apparently. You people cannot give us the figures.

Now, in the period from 1929 on up to in the thirties the textile industry was not the only one that was in distress.

Mr. MURCHISON. That is right, and that followed the period of inflation, Senator, in 1929.

Senator TUNNELL. I do not know what you think, but I am hopeful enough and have enough confidence in the situation in the world today and particularly in the United States, to believe that we are going to have a period of prosperity.

Mr. MURCHISON. Well, we certainly hope for that, and we are going to work for it if we possibly can.

Senator TUNNELL. I believe there will be a period of prosperity in the textile industry. I think that they will be bidding for labor in the textile industry.

Mr. MURCHISON. I certainly hope that prediction comes true, Senator.

Senator TUNNELL. I hope I am right, anyway. You cannot pay out what you do not make; there is not any question about, and I hope you make a profit. I do not care if you made this amount, but I do think when you make this amount you should pay living wages to your employees.

Mr. MURCHISON. That is absolutely right.

Senator TUNNELL. That is my theory. You may finish your statement, Mr. Murchison.

Mr. MURCHISON. This industry comprises more than 800 companies with 1,200 plants. It may be said without exaggeration that the only characteristic these companies have in common is that for census purposes they are classified as cotton mills.

As to location they are dispersed over an area extending from Maine to Texas, with a few units in the Middle West and California.

The companies vary greatly in size, many units having fewer than 10,000 spindles with no weaving or finishing equipment, while many other units have 100,000 or more spindles and are integrated through the weaving and finishing processes.

There is likewise a similar variation in the age, quality, and automaticity of the machinery in these units.

But perhaps the greatest variations among these companies is in the products which they manufacture. Many mills are engaged wholly in the manufacture of coarse carded yarns; others specialize in carded yarns of finer count and quality; others are engaged exclusively on combed yarns, with further specialization as to count and quality. There is still another group of mills which produce only print cloths; others which produce only demin; others which make nothing but duck; others which specialize in draperies; still others that turn out nothing but mattress tickings; others engaged in manufacturing nothing except voiles or fine broadcloths or marquisettes, or sheets or towels, and so on ad infinitum.

The variations in products go even beyond this general description, because an increasing number of mills are blending cotton with other fibers, natural and synthetic, thus eliminating even the raw material as a common characteristic of the industry.

All these differences and others not mentioned, bear upon the responsibility of the industry committee to recommend minima for interrelated job classifications and present them with tremendous difficulties of measurement that are both quantitative and qualitative in character. The variations in machinery, products, raw materials, work loads, degree to which the division of labor is carried, differences

in managerial practices, makes for a complete lack of standardization of tasks, and even of job titles.

With such a bewildering variety of conditions the establishment of a sound wage structure is beyond the capacity of individuals even with a detailed and intimate knowledge of the industry. It is possible, of course, through scientific job evaluation to work out for an individual plant a sound and well-balanced wage structure, but not for an entire industry as large and as heterogeneous as the cotton-textile industry.

The attempt to establish occupational minima would not be substantially simplified if the minima were restricted to broad classifications of unskilled, semiskilled and skilled workers in the industry. It would still be necessary to determine what degree of skill would justify particular tasks to be classed in one of the three divisions, and then to examine each task to determine how much skill it requires.

Background of industry committees: The intimate knowledge of the industry that would be required for such an evaluation is, in our judgment, beyond the capacity of the tripartite industry committee. Differences of opinion between management and labor representatives would be resolved by the public members, who, if former industry committees can serve as a criterion, would have neither the knowledge of the industry or of job evaluation, to reach judgments fair to both industry and labor and in accordance with the criteria laid down by Congress. Table III following shows the occupational background of public members of all industry committees appointed under the act. I submit that the background of the majority of the public members is not such as would warrant the hope that they would possess the knowledge to determine such fine details as appropriate occupational minima for the complicated structure of American industry.

(The table referred to is as follows:)

TABLE III.—*Occupational background of public members*

Background	Number of committee members	Number of committee assignments	Percentage of committee assignments
Academic:			
Professors of economics	81	204	48.6
Professors of sociology	6	6	1.4
Professors of political science	7	9	2.1
Professors of law	18	46	10.5
Other educators	28	49	11.2
Nonacademic:			
Social workers	8	11	2.4
Lawyers	18	24	5.5
Business executives	13	16	3.7
Editors and publishers	11	20	4.6
Clergymen	8	8	1.7
Consumer organizations	6	12	2.7
Industrial organizations [1]	8	14	3.2
Labor mediators	4	17	3.9
Industrial counselors	2	2	.5
Total	218	438	100.00

[1] Includes engineers, chemists, and representatives of farm organizations.

Source: Minimum Wage Fixing under the U. S. Fair Labor Standards Act, International Labour Office, Montreal, 1945.

Mr. MURCHISON. The result of the industry committee procedure would be the establishment of uniform wage rates in this industry and the establishment of a wage structure divorced from the realities of the industry, and inequitable both for particular mills and to the individual worker.

The difficulties indicated above would not end with the establishment of occupational minima. Changes are constantly taking place in the industry and they will probably occur with increasing rapidity in the future—machinery changes, product changes, task-lay-out changes, increasing or decreasing the content of a particular job. With the hierarchy of minimum wages fixed by law it will be impossible in practice to make adjustments in the rates for particular jobs. The result would be a frozen wage structure unresponsive to the changing technology of the industry.

Power is unnecessary: We are opposed to this grant of power to the industry committee because we believe it is as unncessary as it is undesirable and unworkable. It is a well known fact to all who have had any experience in industry that an increase in the basic minimum automatically forces some readjustment of the remainder of the wage structure. Such action is necessary to plant efficiency, and the maintenance of employee morale. Mr. William Davis former Chairman of the War Labor Board and Director of Economic Stabilization, testifying before a subcommittee of this committee said:

> I would like to say something about what happens when you do raise the wage, to 60 cents as a minimum wage in a plant. If you have got, as you are likely to have, and as we have found in these low level wage plants, very little difference between the minimum skilled worker and the next one above him, the semiskilled, you may have a plant where the minimum wage has been 30 cents * * * and then there is another group which gets 32½ cents, and another group 37½, and so forth.
>
> Now, when you put a 40-cent minimum in there, they have to lift some groups above 40 cents * * * You have to make adjustments * * * in the closely interrelated job classifications so as to maintain some part of the wage differential between different occupations.
>
> So when you say you lift your minimum wage to 60 cents or 65 cents, it means, expecially if you go as high as 65 cents, that you have to do a lot of wage raising above 65 cents to maintain some sort of differentials. It would mean a very considerable lifting of the general level of wages in America.

Mr. A. F. Hinrichs, Acting Commissioner of the Bureau of Labor Statistics, who followed Mr. Davis before the committee testified to the same effect.

> I am sure that the experience we had under minimum wage legislation, in which some people interpreted the law literally and came up to 32½ cents and 35 cents and 37½ cents or 40 cents, but did not change anybody's rates above the minimum established at the moment, that the situation which was brought about under legal compulsion would not be brought about by any man's choice, if he was in his right mind. No man is going to change the rates of an individual getting 55 cents an hour and bring those to 65, and to have employees that were getting 65 cents or 68 at the 65-cent or 68-cent rate. That just doesn't make sense.

According, Mr. Chairman, it appears to us that the grant of power to the industry committee to recommend multiple minima is as unnecessas it is undesirable, and that the difficult and extremely technical task of making such adjustments can be worked out more efficiently between mangagement and labor, and with greater equity and justice to both.

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Statute of limitations: We are also opposed to section 18 (b) which permits an employee to institute legal proceedings for unpaid minimum wages and overtime compensation, and an additional equal amount as liquidated damages, at any time within 5 years from the accrual of such liability.

In view of the growing complexity of regulations in the administration of the act and the importance of administrative interpretations, an employer may unwittingly violate a regulation and become liable for large sums of back pay. This will become increasingly true if the act is expanded to cover wages and workers above the basic minimum for unskilled workers. As I have previously indicated, a particular job in this industry may be classified as semiskilled in one plant and skilled in another, or the same job may have different titles in different plants. If, as a result of such varying practices, an employer places a worker in a category which may be different from a later interpretation of the Administrator, he might become liable for an amount of back pay which could easily threaten his financial solvency.

Now under the Fair Labor Standards Act as now written we have industry committees which determine the minimum wage for each industry, and we would still have that pattern under the proposed bill, and their tripartite committees consisting of equal members of labor, management, and public, so-called. Now, the business of setting up occupational differentials for an entire industry, involving hundreds of classifications and very expert technical knowledge, would probably run into a difference of opinion between management and labor, so the public members will decide these technical points. Table III shows how the public membership of the committees was made up. Eighty-one professors of economics, with an average of about three committees for each one, and those 81 having 204 assignments, professors of sociology, professors of political science, professors of law, and other educators, social workers, lawyers, a few business executives, editors, publishers, clergymen, representatives of consumer organizations, industrial organizations, labor mediators, industrial counselors, all perfectly wonderful people. But the point is they do not have the technical knowledge which would enable them to make these decisions, they could not possibly do it, and that is the reason we put those classifications in there.

Senator ELLENDER. Are there any amendments proposed to the pending bill, other than the wage rates and this other matter you mentioned, that would adversely affect the industry?

Mr. MURCHISON. Yes; there is one there.

Senator ELLENDER. In relation to the present law, of course.

Mr. MURCHISON. There is one there that is the extension of the statute of limitations from 1 year to 5 years, which is an extension of the most gigantic racket, Senator, that this country ever saw. That would mean the grievances built up in the 5-year period, and you have got shyster lawyers by the hundreds that would not do anything but spend their lives in that sort of business.

Senator ELLENDER. The limitation is now 1 year and this seeks to increase it to 5 years?

Mr. MURCHISON. Yes.

Senator ELLENDER. What else is there by way of amendment?

Mr. MURCHISON. Those are the things the industry is particularly interested in.

Senator TUNNELL. There isn't any reason for any 5-year limitation?

Mr. MURCHISON. We do not think so.

Senator TUNNELL. I do not think so.

If there is nothing further, thank you, gentlemen.

We will meet again at 1:30 this afternoon.

(Whereupon, at 12:25 p. m., a recess was taken until 1:30 p. m. of the same day.)

AFTERNOON SESSION

Senator TUNNELL. We will come to order.

Is Mr. Haley here?

Mr. HALEY. Yes, sir.

Senator TUNNELL. All right, Mr. Haley, will you give your name and position to the stenographer?

TESTIMONY OF JAMES W. HALEY, ATTORNEY, NATIONAL COAL ASSOCIATION, SOUTHERN BUILDING, WASHINGTON, D. C.

Mr. HALEY. Mr. Chairman, my name is James W. Haley. I appear here as the representative and regular attorney of the National Coal Association. The National Coal Association is the trade association of bituminous coal producers, with membership comprising about 80 percent of the commercial production of bituminous coal in the United States and with members in each of the major coal-producing States in the Nation.

The bituminous coal-mining industry is opposed to amendment of the Fair Labor Standards Act of 1938 as proposed in S. 1349.

We believe it is fundamentally unsound for the Government to attempt to fix wages by general statute applicable to all industries and to all individuals in all industries. We also feel that such a program is impracticable, as well as fundamentally unsound.

The bituminous coal-mining industry is one of the highest-paying industries in America.

Senator TUNNELL. Highest paying to whom?

Mr. HALEY. To the workers, the wage earners in the industry.

Senator TUNNELL. I see.

Mr. HALEY. According to the Department of Labor, average hourly earnings for the month of June in the bituminous coal-mining industry were $1.281 per hour, and the weekly earnings figure was $59.04.

That was the average for all workers in the industry, $1.281 per hour and $59.04 per week.

From these figures, it is immediately apparent that the average wage in the bituminous coal-mining industry is considerably higher than even the ultimate minimum provided in S. 1349. But, unfortunately, in an industry employing hundreds of thousands of workers, as does the bituminous coal-mining industry, there are instances where the higher minimum wage would make a hardship—and I might say a hardship more on the worker and the coal consumer than on the employer. I refer, for instance, to miners paid on the tonnage basis. This wage per ton is set, through collective-bargaining processes, at a rate which is high enough to yield incomes of $6,000 and $7,000, or even more, per year. There are hundreds of such workers in the industry who are now earning $500 or $600 per month.

But, on the other hand, there are some workers who are very old

or for other reasons do not produce enough coal to earn more than $4 or $5 per day. These subproductive employees realize their limitations and are happy to be able to earn even this nominal sum and at the same time make a patriotic contribution to supplying coal sorely needed. The fact that these employees do not produce enough coal to earn more is often due to the fact that they are unable or unwilling to work constantly at the job while they are in the mine. In the same mine and under identical working conditions, one man may earn $5 per day and another $10 or $15 per day; the matter is entirely up to the individual worker. However, it must be realized that the subproductive workers, as well as the superproductive workers, must go into the mine at the same time and must remain in the mine until the so-called man-trip brings them out. But many workers, as I have pointed out, due to physical limitations or for other reasons, do not engage in productive work for the entire time they are in the mine at the usual working place. With the 40-cent minimum now provided by statute, there is obvious compliance with the statute if these subproductive employees receive $24.40 for the full 54-hour week.

I might say that we are still operating on this 54-hour-week basis in the bituminous-coal industry.

This is assuming the entire 54 hours as work time, and, due to the working conditions to which I have just referred, we can make no other assumption. However, if S. 1349 is enacted into law, there would not be compliance unless such subproductive employees received a minimum of $45.75, assuming the same workweek, after the 2-year period.

If the Congress feels impelled to raise the minimum wage, it should not be more than 50 cents per hour, for the reason that any figure higher than 50 cents will constitute a serious problem in connection with these subproductive employees. Certainly, if S. 1349 becomes law and the minimum is placed at 75 cents per hour or any rate in excess of 50 cents per hour, it will mean that a number of subproductive workers in the bituminous coal-mining industry will lose their jobs and the Nation will lose the coal production.

Senator ELLENDER. Do you know how many of those there are?

Mr. HALEY. No, I do not, but I would like to say at this point that Mr. Kramer and his associates have worked out with me to have a practical coal man who will supplement my statement by a 2-minute statement of his own. I have abbreviated my own statement, with that in mind.

Senator ELLENDER. Why 2 minutes?

Mr. HALEY. That is all we had arranged for.

Senator ELLENDER. I don't like that method of fixing a man's time, at 2 minutes.

Senator TUNNELL. I don't know whether anybody has said so, but I think it is a good idea. I don't think we want to protract these hearings deliberately.

Senator ELLENDER. No, but so far as I am concerned, I want to stay here until we get to the bottom of all this and get all the facts possible. I do not propose to rush through it in a week or two weeks.

Mr. HALEY. I would like to say, Senator, that there was no disposition on the part of Mr. Kramer or his associates to limit us.

But, since we are bringing this up, Mr. Ross, a call operator, has a brief statement which will take a couple of minutes to present

affirmatively. He will present the situation in his own mine, which is a relatively small mine out in Illinois.

Senator TUNNELL. I have not asked you, as far as I am concerned, to do anything other than to testify. However, I do not want any witness just to get the notion that we want to prolong the hearings. I think that is carrying it too far.

Mr. HALEY. Well, we won't prolong it, and we will, I think, tell the story, too.

I am sure the distinguished members of this committee and of the Senate generally appreciate that in the bituminous coal-mining industry the union effectively assures that each worker in the industry gets all that is coming to him. It should be remembered at all times that while the statutory minimum is now 40 cents an hour, the workers in the bituminous coal-mining industry make an average of $1.28 an hour. This high rate of pay in the industry is not due to enactment of the Fair Labor Standards Act.

It is our constructive suggestion that S. 1349 should not be adopted but that the Fair Labor Standards Act should be amended to provide that where there is a collective bargaining agreement in effect resulting from negotiations by a certified union, the workers covered by such a collective bargaining agreement will be completely exempted from the wage and hour law

If this proposal were adopted, it would leave the many troublesome problems in a complex industry such as bituminous coal mining in the field of determination by those who best know conditions and how to cope with them—the workers and the employers; and we believe adoption of this suggestion would constitute a forward step in the field of wage stabilization not only from the standpoint of the employer but from the standpoint of the worker as well.

We believe that the great majority of workers in this Nation now realize that they must look to themselves and their employers and not to the Government, to assure themselves adequate wages.

Another factor which enters into this picture is the fact that it requires much more labor to produce a ton of coal than it does to produce the energy equivalent in oil, natural gas, or hydroelectricity. If the Federal Government persists in imposing hardships on industries employing many workers, it will soon become apparent that sponsors of measures like S. 1349 will defeat their own purpose; they will be forcing the coal industry, which employs many workers, to lose out in the competitive fight against other fuels employing few workers. It is obvious to anyone that the matter of an increased minimum-pay requirement is of more concern to the bituminous coal-mining industry than it is to the hydroelectric plants or the natural gas pipe-line companies.

It would seem to us that the real friends of labor would support the suggestion I have made, that workers under bona fide collective-bargaining agreements be exempt from the Federal wage and hour law.

Senator ELLENDER. In addition to the point you have just made, if the rate of pay is increased, what is the probability of having machines do this work, rather than the hand labor that is now accomplishing the task?

Mr. HALEY. Well, of course, there has been quite a program of mechanization in the industry for many years. But coal mining, by its very nature, will ever require considerable manpower. In spite of the mechanization, the output per man per day, while it has risen

slightly, is still approximately where it was before the wholesale mechanization.

There is a very definite limitation to what mechanization will accomplish. The machines are complicated, and the handling of coal, of course, always requires many workers.

It just seems to us that these measures that require high minimum wages for all workers without regard to ability or productivity, in the long run will hurt labor, rather than help labor.

Senator ELLENDER. That is my contention.

Senator TUNNELL. What is the effect of stripping on the coal industry?

Mr. HALEY. Strip mining, of course, does require less employees, but it requires a considerable number, at that.

I am not too much of an expert on the physical and chemical characteristics of the coal.

I do know that coal produced by the stripping methods is not available in all or even many sections of the country.

Senator ELLENDER. Is that open mining?

Senator TUNNELL. That is stripping the dirt off the coal.

Mr. HALEY. It is difficult to do that in any substantial quantity in mountainous areas.

Senator TUNNELL. I have seen so much of it in Ohio.

Mr. HALEY. Yes; there is quite a bit of it in Ohio and quite a bit in Illinois and Indiana. But, by far the greatest percentage of our coal is still produced by underground methods and will continue to be so produced in the foreseeable future, according to the experts.

Senator TUNNELL. It seems to me that the argument you have produced thus far is rather toward making an exception for those people incapable of doing a day's work.

Mr. HALEY. Well, the argument I am making is that the union negotiates for those men.

We have a collective-bargaining agreement. As I said—and I wish to emphasize it, if you know anything about the United Mine Workers of America, you know that these men are well and adequately represented.

The rates are fixed high enough on the tonnage bases to produce incomes of more than $5,000 a year, actually do produce incomes of that amount.

Now, we do have the question of the subproductive employees and the physical factors which enter into it.

These men are often isolated and alone in a room underground, and if the man is paid on the tonnage basis and he feels temporarily ill or, for any reason, does not care to work out the full day, he does what he feels like.

There are instances where he might lie down and take a nap, but he is still in the mine, he is in the room. If he feels like it, he will go on and load some more coal.

Also, it is not generally realized but these coal diggers, as they are called, are now at a rather advanced age.

I believe Mr. Ross told me that the coal diggers in his several small mines, taking some 400 of them, averaged 59 or 60 years, and the older man will just not be capable of doing as much as an ordinary, healthy, young man.

Senator TUNNELL. What does that mean, that the young men are not going into that kind of work?

Mr. HALEY. That may have some bearing on it, although, under present conditions, we have a great number of men in the armed forces. I do believe that coal mining, probably, has not attracted as many young men as it might have.

There are a number of factors which enter into it.

Senator ELLENDER. You suggest amending the bill to exclude collective bargaining Would that mean that under collective bargaining a lesser rate of pay could be agreed to than that fixed by the bill? Would that be it?

Mr. HALEY. I would say it should be completely exempt from collective bargaining by bona fide, certified units.

Senator ELLENDER. Whether or not it is more than the rate fixed in the act?

Mr. HALEY. Why, I have not given any particular thought to that. I think there should be a complete exemption, for the very reason I have pointed out.

Under the tonnage rate now fixed in our contract, we give $2 an hour in many instances and much more than 65 cents an hour in all average instances.

However, there are still some men who would like to do a little more work, and I think they should be given great credit for making what little contribution they are able to make. Some of them are 75 years of age or more.

Senator TUNNELL. Well, are they the only ones of your employees that would be damaged by this bill?

Mr. HALEY. They constitute by far the largest class. However, there are some employees in the industry who do now, I believe, receive less than 65 cents an hour. I refer mainly to some minor office workers and temporary clerks and store employees, perhaps—of course, they are exempted under certain circumstances.

Senator TUNNELL. But they are the exceptions rather than the general rule?

Mr. HALEY. Oh yes. That is illustrated by the fact that the average is $1.28 per hour. That is the average earned per hour, $1.28, so that if there were any low-paid ones, they would be the exceptions.

Of course, the industry could meet the figure, if the 75-cent minimum should go in, the industry could meet the issue, presumably by taking steps to discharge the subproductive employees; but the result there would be that employment would be lost for those men, who feel, I am sure, that they are adequately represented by their wage negotiators now and do not need this committee to look out for their welfare.

Senator TUNNELL. I am not so much impressed by that, when I read about the difficulties that they have, in adjusting matters.

Every year, just at the time when we think that we have got to have coal, there is some threat of a strike. The miners and the employers cannot agree, so that does not appeal to me very strongly, as far as I am concerned, the idea that you have everything in control.

Mr. HALEY. Well, of course, I am sure that if you adopt the act, S. 1349, that it will not contribute one bit toward alleviating that condition.

Senator TUNNELL. That might be so, but I am sure that your suggestion is not going to be the cure for it.

Mr. HALEY. No; my suggestion would have no bearing on that, and neither would S. 1349.

Senator TUNNELL. That makes twice that you have come to the same conclusion.

Now, you say that there is no necessity for this bill because the miners are adequately represented.

Mr. HALEY. I certainly feel that.

Senator TUNNELL. Yes; so that you seem to place this bill in opposition to representation in some way.

Mr. HALEY. Now, we are not in opposition here, but there are many matters.

Take tonnage rates, to illustrate that. After we agree with the union, which makes a hard bargain, we still have these additional aspects of the law, we have to watch out for the minimum wage. I don't know too much about it and, of course, I couldn't presume to speak for the union, but I am not sure at all that the union would be opposed to our suggestion.

Senator TUNNELL. They want to have the 65-cent minimum defeated?

Mr. HALEY. No; I have never heard any expression from the United Mine Workers on that.

Senator TUNNELL. I have never heard any contention of that sort. That is the reason I wanted to know.

Mr. HALEY. I have never heard of any contention in support of it; but they could very well support the 65-cent minimum and our provision also.

Senator TUNNELL. Your provision—what is that?

Mr. HALEY. Our proposal that the collective-bargaining agreement arrangement be exempted from the act.

Senator TUNNELL. Well, that might include anything, "collective-bargaining agreement."

Mr. HALEY. Provided that the collective-bargaining agreement resulted from negotiations with a bona fide, certified union.

Senator TUNNELL. Now, you think that there are some employees in the mines—that is the part that I am impressed with in your testimony—there are some employees who cannot earn a day's pay?

Mr. HALEY. That is correct; yes, sir.

Senator TUNNELL. Don't you think that could be cured by some sort of an amendment to this proposal?

Mr. HALEY. It no doubt could be cured; but I wondered if just making exceptions—my initial impression is that it might tend to weaken the legislation.

Senator TUNNELL. You think it ought to cover everybody or nobody?

Mr. HALEY. I think the law should be as free from exceptions as can be on a narrow basis.

Senator TUNNELL. And yet you think that would be unfair to a part of the mine employees?

Mr. HALEY. What would be unfair? I am sorry, I don't follow your question.

Senator TUNNELL. That is, the 65-cent minimum.

Mr. HALEY. Yes; I do think it would be unfair, because a number of them would lose their jobs.

Senator TUNNELL. Then, your own proposition, according to your own statement, would be unfair to a part of the employees.

Mr. HALEY. To exempt collective-bargaining agreements?

Senator TUNNELL. Yes. You say they ought to be, as nearly as possible, all under the same provision.

Mr. HALEY. Well, if they were all exempted, they would be under the same provision.

Senator TUNNELL. Well, then, you don't want any minimum wage, is that your proposition?

Mr. HALEY. No; I didn't say that I didn't think the minimum wage ought to be placed in excess of 50 cents.

Senator TUNNELL. Why would that affect an industry that pays $1.29?

Mr. HALEY. For the reason that we have these subproductive workers.

Senator TUNNELL. Well, if you except them, what is your objection?

Mr. HALEY. There are other isolated instances of workers who are paid less than 65 cents, but, frankly, I admit that is a very minor problem.

I might say that our exemption proposal, of course, would run to a lot of other more fundamental problems than even the minimum wage issue.

We have any number of other problems, of course, too. I might mention the keeping of overtime and computing of overtime; the regular rate, what constitutes regular rates.

All of these matters are finally settled with the union, after most difficult and trying negotiations, and they must be put under the glass with respect to the law.

Senator TUNNELL. You just object to a law. You want agreements.

Mr. HALEY. Well, I think that when we finally get an agreement with the union, that ought to be recognized by that law, as it is by other laws. It certainly establishes the rate.

Senator TUNNELL. Do you object to the present minimum?

Mr. HALEY. I beg your pardon?

Senator TUNNELL. Do you object to the present minimum wage law?

Mr. HALEY. No.

Senator TUNNELL. Why?

Mr. HALEY. Well, I think that perhaps the theory of a minimum subsistence wage might be all right. But when you get to an attempt to fix a high floor and apply it to an industry employing three, four, or five hundred thousand workers and then get into the question of interrelated job classification, I just don't think it can be done in a practical manner.

They have so many classifications and so many rates—and, where the matter has to be worked out with the union and the employers, who are familiar with it, the manifold problems presented—I just think that is the way to do it, rather than by a law.

As Dr. Murchison pointed out to you this morning, this, of course, is not just a minimum wage law that we are talking about. It involves interrelated job classifications all the way up to nobody knows where.

This law would not apply just to those who earn, in our industry, an average of $1.28 per hour; it could go on up beyond that.

Senator ELLENDER. That is what makes this act, as you tried to point out, so far-reaching.

Mr. HALEY. That is correct.

Senator ELLENDER. It is my humble opinion that if some of the members of these unions would study this bill, with particular regard to fixing the rate for various classifications, they would find that eventually it would do away with their organizations.

Why would a man want to pay a few hundred dollars a year or $50 a year union fees, when he can have it done by law?

Senator TUNNELL. Is that the reason for your objection to this bill, that you fear that it will do away with unions?

Mr. HALEY. No; of course not.

Senator ELLENDER. I am in favor of inviting some of the union membership to study it and get a few of them on the stand. They might give you their views on that phase of it.

Senator TUNNELL. How is that?

Senator ELLENDER. I say, I would like to be in a position to discuss the matter with some of the union leaders. I thought that Mr. Green desired to testify. I proposed to discuss that point with him.

Senator TUNNELL. Well, he did have a representative here who did.

Senator ELLENDER. Yes. I thought it would be better if we could get it from the fountainhead rather than from some of his underlings.

Mr. HALEY. In any event, it would seem to us that the real friends of labor would support the suggestion I have made, that workers who are under bona fide collective-bargaining agreements be exempted from the minimum wage law.

In any event, the wage-and-hour law should be amended to include the following features:

1. The law should be amended to give automatic exemption to any employee who is employed on a guaranteed basis of $10 per day, $50 per week, or $225 per month.

The Fair Labor Standards Act is fundamentally a wage law, and if substantial wages like $10 per day are paid, it would seem that a sensible position would be for employees so paid to be exempt from the law.

As a matter of fact, such an amendment would in all probability cause a number of wage increases, since many employers would no doubt be willing to make the necessary increases and guarantees in order to get away from the red tape, bookkeeping, and general bother of keeping the records and making the calculations required by the law.

2. The law should be amended to provide specifically that work time under the statute shall include only time spent by employees in performing services for which they were employed. This work definition is necessary to avoid repetitions of the difficulties which have arisen in the bituminous coal-mining industry concerning travel time.

3. The law should be amended to provide that no person shall be subjected to any liability, civil or criminal, under the provisions of the statute for any act done or omitted in conformity with any regulation or interpretation issued by the Administrator.

It will be recalled that the Administrator of the Wage and Hour Division had officially interpreted the act as not requiring recognition of travel time as time worked under the law in the bituminous coal-mining industry.

Of course, the industry and the union relied on that, for the time being.

4. The act should be amended to provide that any claim for liability under the act may be compromised, settled, or released by agreement with the parties affected thereby, at any time. As you know, under the statute as presently drawn and under the decisions of the Supreme Court, a claim may not be conclusively settled for anything less than the arithmetic liability, including liquidated damages amounting to 100 percent of what is shown to be owed on a work basis.

5. The statute should be amended to provide a statute of limitations of 6 months for all claims accrued on date of enactment of the amendment, and a general provision that any other liability shall cease 6 months after it accrues, unless within such period action thereon is commenced.

The tendency of governmental officials appearing before this committee has been to minimize the effect of wage increases on prices. We do not see that the Government's position is sound in industry generally. But certainly it is wholly erroneous in connection with bituminous coal mining. Since labor cost constitutes about two-thirds of the total cost of producing coal, it follows that any increase in labor cost will automatically mean an increase in cost of coal to consumers. You may rest assured that the bituminous coal-mining industry is not able to absorb any increased costs, ever how slight.

Senator TUNNELL. You mean, they are not making profits?

Mr. HALEY. The coal industry, for many years, has been operating in the red or at a very slight margin.

Senator TUNNELL. Well, under the Guffey Coal Act did they still continue to operate at a loss?

Mr. HALEY. Under the Guffey Coal Act prices were not in effect for very long periods of time; but, during most of the life of the act, the bituminous-coal industry did operate at a loss; that is correct.

Senator TUNNELL. That is not my information on the operation after that act was in effect.

Mr. HALEY. Well, concerning the Bituminous Coal Act prices, the Bituminous Coal Act was enacted in 1937, and in the next year the industry lost $32,000,000, after taxes.

Senator TUNNELL. After taxes?

Mr. HALEY. Yes.

Senator TUNNELL. Well, there wasn't any tax. You mean income tax?

Mr. HALEY. That is correct. There was no tax on the losses; no; but I was giving the industry picture as a whole, the income of the companies having income and then the losses of the companies having losses. Deducting the taxes, the losses were $32,000,000 in 1938.

During 1937 the loss was $10,000,000 after taxes; $32,000,000 in 1938; in 1939 it was $13,000,000.

I am giving these in round figures.

Senator TUNNELL. Yes; I understand.

Mr. HALEY. In 1940 the industry made $3,000,000; in 1941 the industry made $19,000,000; and in 1942, the latest figure for which official Treasury Department information has been released, the industry made $30,000,000.

Senator TUNNELL. Yes, sir. It was on a profitable basis when the Guffey Act went out of existence.

Mr. HALEY. Yes, at the time the Guffey Coal Act went out of existence.

Senator TUNNELL. That is what I had in mind.

Mr. HALEY. It had been on a slighly profitable basis, if you could call an earning of this nature profitable, since 1942.

I heard some discussion this morning concerning the rate of investment. The investment in the bituminous coal-mining industry has never been determined completely, but it is certainly in the neighborhood of $3,000,000,000.

So, in 1942, the best year shown in the last 20 years, the industry made 1 percent on its investment. Taking the last 20 years together in the bituminous coal-mining industry, the industry, in that period of time, would show a net deficit of $100,000,000.

Senator TUNNELL. There was no special effort made by the coal mining interests to keep the Guffey Coal Act in existence, was there?

Mr. HALEY. I am not advised on that matter. I might say that the National Coal Association does not participate in the campaign for or against the Bituminous Coal Act, since they have in membership companies which favor it and companies which oppose it, so we stay out of that fight, and as we needs must.

Senator ELLENDER. What is the rate per ton that you now pay to produce coal?

Mr. HALEY. To the tonnage workers?

Senator ELLENDER. Yes.

Mr. HALEY. It varies throughout the Nation. Mr. Ross will be able to answer that better than I can, certainly for the progressive coal mines; but it certainly is in excess of $1 per ton.

Senator ELLENDER. The next question I wanted to ask was: What effect, if any would the passage of this bill have on your having to increase the present rate of pay to produce this coal? In other words, if you should raise the minimum, the minimum fixed by the War Labor Board of 55 cents to as much as 75 cents within the next 3 years, what would be the effect?

Mr. HALEY. Well, I presume if this bill were adopted, and those tonnage workers who now make less than 75 cents per hour on the tonnage rate basis were automatically and artificially pushed up to 75 cents per hour, that, bringing into it the interrelated job-classification theory which was in there throughout S. 1349, there would be a comperable adjustment all the way up the line. That is certainly the theory of the bill.

Senator ELLENDER. So that the increase in the upper brackets might be as much as this bill seeks to allow in the next 3 years?

Mr. HALEY. That is right.

Senator TUNNELL. But you said the number of those who would be reached would be inconsequential, did you not?

Mr. HALEY. I did not say the number of tonnage workers would be inconsequential. There are a number of them.

Senator TUNNELL. You mean they are earning less than 65 cents an hour?

Mr. HALEY. That is correct; yes, sir.

Senator TUNNELL. How do you account for that?

Mr. HALEY. Because they are elderly men.

Senator TUNNELL. Oh. Well, you said there were not so many of them.

Mr. HALEY. Well, when I say "not so many" there might be a few thousand in the industry.

Senator TUNNELL. There might be.

Mr. HALEY. Well Mr. Ross has several mines, and he will be able to tell you how many there are, and just what the distribution is. We made no survey on it, but we do know that there are some. Practically every hand-loading mine has several or more.

Senator TUNNELL. Let me get your position. Is it your position that your organization opposes this bill on the ground that you have certain substandard workers who would be injured by it?

Mr. HALEY. We have certain subproductive employees who would be injured by it.

Senator TUNNELL. I say, is that the ground for your objection?

Mr. HALEY. Not the sole ground; that is one of the grounds, not the sole one.

Senator TUNNELL. The rest of it is that you are "just agin it"?

Mr. HALEY. Yes; we are against it; no question about that.

Senator ELLENDER. Well, what I had in mind and intended to develop is simply this: That if today you fix, say, $1 per ton, when the minimum wage is 55 cents, if that wage is raised within 3 years to 75 cents, that would have a tendency of forcing you to raise your cost almost equal to that which is sought in the pending bill, is that not true?

Mr. HALEY. That is exactly what I wanted to make clear.

Senator ELLENDER. That is all I had in view. I didn't have in mind these older men or the crippled going in there to earn a few crumbs. I did not have that in mind, but just the idea that by increasing the minimum wage from 55 cents to 75 cents, there would be a tendency of making those in the higher brackets dissatisfied and a demand for more probably would be made, and probably would be granted.

Mr. HALEY. Certainly. I want to emphasize that. Any increase in wages in the coal industry since the industry operates at such a narrow margin, and since such a high percentage of cost goes to labor, that would result in an increased cost to the consumer.

To that extent, certainly, it would lower the standard of living for those who must pay the increased cost. That is the whole theory we have heard so much of in recent years.

Senator TUNNELL. The same argument would have some potency if people were manufacturing silk, or something else in the neighborhood, wouldn't it.

Mr. HALEY. It would have a degree of the same force. However, I do not believe that any industry in America has had such a high percentage of its total cost going to pay rolls.

Senator TUNNELL. You don't charge the coal up to anything, do you? That is just in the ground.

Mr. HALEY. Of course, the cost of the coal and the depletion aspects of it enter into it. That is, the coal itself costs something but that is insignificant. Coal can be leased on a royalty basis for 10 or 15 or 20 cents a ton.

The labor to produce it is $1.50 or more. Labor is the controlling factor always.

We think that industries like the coal industry, which gives great amounts of work, should be encouraged; and that the workers should be protected in their jobs.

Of course, if the labor costs in producing coal go high enough the industries and home owners using coal will buy natural gas, where

there isn't any labor, and the net result of that would be that labor itself loses.

Senator TUNNELL. It seems to me that I remember you can get five or six thousand tons of coal from an acre.

Mr. HALEY. I am not familiar with that subject, but that certainly would seem to be reasonable.

Senator TUNNELL. The land, underlaid with coal, is selling for probably $30 or $40.

Mr. HALEY. I am not familiar with that, but that sounds like a general figure, but I have no knowledge.

Senator TUNNELL. I am familiar with the farms being sold for that, that is the reason I know.

Mr. HALEY. Well, I will certainly accept the Senator's information as being better than my own.

Senator TUNNELL. What I am trying to get at is that the actual cost of the coal in the ground has not been very high.

Mr. HALEY. That is correct. You are correct in your assumption that it is the labor costs that make the price.

Senator TUNNELL. Yes; labor and the machines, and so on.

Mr. HALEY. Primarily the labor.

Senator TUNNELL. That is all I have. Thank you.

Mr. HALEY. Now, Mr. Warren Ross is vice president of a little company out in Illinois, and he has some specific information on these elderly workers, which he would like to have permission to give.

Senator TUNNELL. Thank you. We will hear you, Mr. Ross.

TESTIMONY OF WARREN P. ROSS, VICE PRESIDENT, PANTHER CREEK MINES, INC., SPRINGFIELD, ILL.

Mr. Ross. My name is Warren P. Ross. I am vice president of Panther Creek Mines, Inc., a coal producer, operating two coal mines in Springfield, Ill., and having a production of 600,000 tons per year.

I am opposed to amendment of the Fair Labor Standards Act of 1938 as proposed in S. 1349, because it will work a severe hardship on our company and many other coal-mining companies and will most certainly force us to reduce our operations and may eventually put us out of business.

Our company employs 600 men working under a union contract with the Progressive Mine Workers of America. Approximately 200 of these men receive a wage of $1 or more per hour for actual working time and extra pay for travel time from portal to portal and $75 annual vacation pay per man. The remaining 400 men are diggers who load the coal into mine cars. Each of these diggers works alone in his own room and is paid at the rate of $1.08 per ton, plus one-ninth extra for travel time. The basis of this rate, established by negotiations with the union, is the amount of coal an average digger can reasonably load to earn the same rates of pay as the other employees who are paid an average of $1 per hour.

The average hourly earnings of these diggers is $1 per hour, with some earning as high as almost $2 per hour. The age average of these diggers is 60 years. Due to their advanced age and for other causes, many of these diggers do not, even at the prevailing high loading rate, earn 75 cents per hour or even 65 cents per hour. Of the 395 diggers employed by the company for the semimonthly pay period ending August 31, 1945: 63 had average earnings of $1.25 or more per hour;

171 had average earnings of $1 or more per hour; 224 had average earnings of less than $1 per hour; 81 had average earnings of less than 75 cents per hour; 65 had average earnings of less than 70 cents per hour; and 51 had average earnings of less than 65 cents per hour.

Thus it will be seen that if S. 1349 had been law the last half of August, 51 workers would have earned less than the 65-cent minimum and 65 would have earned less than the 75-cent minimum. Doing identical work for an identical rate, 40 workers would have earned more than $1.30 per hour, twice the 65-cent minimum.

In addition to inability due to advancing age, there are other reasons why some of these men do not earn more. Some of them have no dependents and no necessity nor desire to earn more by putting forth the additional effort. Therefore, it is apparent that should the minimum rate under the law be raised to 75 cents per hour or even 65 cents per hour, many of our miners will be unemployed, since they have spent their entire lives in the mines and know no other trade.

Senator TUNNELL. Excuse me. Have they the same chance to make more as those who make the $1.40?

Mr. Ross. They are all working under identical conditions.

Senator TUNNELL. I see.

Mr. Ross. Moreover, many men, aware that they would be paid 65 or 75 cents per hour regardless of the amount of coal loaded, would soon become less productive.

In any event, the company could not possibly stand the impact of retaining the men under the minimum wage proposed in S. 1349.

Obviously, if a law like the one contemplated in S. 1349 were adopted and we were forced to cease operations, the miners now earning high wages would lose their jobs along with those unable or unwilling to produce enough coal to make normal earnings.

Another important aspect of the matter is that the cost of domestic coal in Springfield will rise, since coal will have to be shipped in at a higher cost, due to freight and handling expenses; thus the consumer will be adversely affected by this amendment.

Since the men are very efficiently represented and protected by their union, it would seem to me that the proper way to treat the wage matter in the coal industry would be to exempt from the provisions of the act workers covered by a collective-bargaining agreement.

Senator ELLENDER. You have classified your workers as to age and ability to earn.

Would you venture to suggest that your classification would be about the average of the coal mines in your community?

Mr. Ross. Well, in Illinois, in our community, the majority of the mines now are mechanized. They do not hand load the coal like we do.

In fact, I don't happen to be close enough to any company that is working under the same conditions as we are to know whether it would be general or not. But these men have their own rooms, and they are their own boss. If they want to load, they can; if they don't want to do the work, they do not do it.

Senator ELLENDER. Have you any idea how much you would have to ask for your coal if this law were in effect? How much more would you have to pay to extract the coal from the ground?

Mr. Ross. It is not so much how much more we would have to ask for the coal. We might have to add 15 cents or $1 per ton for the

coal. But, if we did that, we would not be in a competitive position with other mines that did not have our problems.

Senator ELLENDER. That would mean you would have to close?

Mr. Ross. We would have to close. There is no way that we can see—these men being their own bosses, in their own rooms, we cannot tell them they have got to work under this agreement. They can load as much as they want to load.

Senator TUNNELL. How much did these 51 who did not earn 65 cents an hour, earn?

Mr. Ross. Well, they earned 45, 48, 50, or thereabouts.

Senator TUNNELL. How much would it have taken for your company to have made up the difference between what they did earn and the 65 cents?

Mr. Ross. Well, I couldn't answer that. I don't know. I never figured that out, what it would take.

Senator TUNNELL. How many tons of coal did you say you mined in a year?

Mr. Ross. Six hundred thousand.

Senator TUNNELL. Six hundred thousand. And how many men earned 65 cents or more?

Mr. Ross. How many earned 65 cents or more? Well, there were 395 diggers, and 51 did not earn that.

Senator TUNNELL. Three hundred and forty-four earned 65 cents and up.

Mr. Ross. Three hundred and forty-four; yes.

Senator TUNNELL. Three hundred and forty-four. Some of them earned very much more?

Mr. Ross. Yes, sir.

Senator TUNNELL. Than the 65 cents?

Mr. Ross. That is right.

Senator TUNNELL. So that it was a small fraction of your total that was mined at less than 65 cents?

Mr. Ross. Well, of course, we are looking a little far ahead of the 65 cents. When the law gets up to the 75-cent minimum an hour, we will be in that much worse position.

In that pay-roll period, we had 81 that had been earning 75 cents.

Senator TUNNELL. You do not intend to mechanize?

Mr. Ross. Our mines are old mines, and there is a lot of dirt in the coal. It is not economically sound to mechanize.

Senator TUNNELL. What sort of vein do you work?

Mr. Ross. Six feet.

Senator TUNNELL. Six feet. That is a good vein, isn't it?

Mr. Ross. Good vein; yes.

Senator TUNNELL. A man can stand up, unless he is too tall.

Mr. Ross. That is right.

Senator TUNNELL. A 6-foot vein, in some sections, is considered very good?

Mr. Ross. That is right. It all depends on the quality of the coal that you are mining.

Senator TUNNELL. What are your impurities, sulfur?

Mr. Ross. Sulfur, clay, slate, bone.

Senator TUNNELL. You mine by rooms?

Mr. Ross. By rooms. Each miner, of course, is supposed to pick out the impurities. He picks out the impurities in his own coal, in a hand-loaded coal mine, so that the coal produced by a hand-loaded coal mine is generally much better than a mechanized coal mine product, unless their coal is washed or repicked at the top.

Senator TUNNELL. What were they paid by the ton?

Mr. Ross. The loading rate, under the contract is $1.08 per ton, plus one-ninth that they were allowed for portal to portal, which means that the loading rate was brought up to $1.20.

Senator ELLENDER. How about diggers?

Mr. Ross. That is the same thing. It is all one operation.

Senator TUNNELL. That is what I meant. Loading.

Mr. Ross. The loaders, or diggers, if you want to call them that, make their own holes and the shots are fired at night and in the morning his coal is down and he loads it.

Senator TUNNELL. It explodes while he is gone, you mean?

Mr. Ross. Yes; they shoot it at night.

Senator TUNNELL. The same man who mines it, puts in the explosive?

Mr. Ross. He puts it in, but doesn't fire it.

Senator TUNNELL. He doesn't fire it.

Mr. Ross. Now, these rates, the loading rates in Illinois always have been based on the comparable rate for the day men. There are 200 of these men, paid by the hour and the lowest rate out there is $1.

Now, if you want to make the minimum, you would have to increase the loading rate to, say, $2 per ton. That would throw it out of balance with your other men, and they would say that they wanted a raise.

Senator TUNNELL. But you have nobody you pay less than $1 per hour?

Mr. Ross. Not the ones that work on straight time.

Senator TUNNELL. That is what I mean. Where you pay by the hour, you pay nobody less than $1 an hour?

Mr. Ross. That is right.

Senator TUNNELL. That is all.

Mr. Jobe is the next man on my list.

TESTIMONY OF WILLIAM T. JOBE, GENERAL COUNSEL, NATIONAL ASSOCIATION OF ICE INDUSTRIES

Mr. JOBE. Mr. Chairman, and members of the subcommittee, my name is William T. Jobe. I am general counsel of the National Association of Ice Industries, the only national organization representing the interests of the ice industry. In this capacity I am speaking for and in behalf of an organization of slightly more than 2,300 ice companies which produced and sold approximately 70 percent of the 48,500,000 tons of ice consumed in the United States in 1944.

Senator TUNNELL. You say 70?

Mr. JOBE. Seventy percent.

Senator TUNNELL. I see.

Mr. JOBE. These 2,300 companies own and operate approximately 5,200 separate plants or establishments, located in practically every city, town, or village, of any size, in the country, engaged in the commercial production, sale, and delivery of ice to the general public.

The ice industry, for whom I am being permitted to speak only briefly this afternoon, is wholeheartedly opposed to at least three of the proposed amendments to the present wage-and-hour law as set

forth in S. 1349. Specifically, these three are (1) the proposed wage increases; (2) the power to fix wage differentials "between interrelated job classifications," through industry committees functioning in collaboration with the Wage and Hour Administrator; and (3) the 5-year statute of limitation for employees' suits.

Not all of the above-mentioned 5,200 ice-manufacturing plants or establishments are affected by the Fair Labor Standards Act, either presently or by the proposed amendments thereto which you are now considering. There are, however, approximately 2,200 of these establishments that are affected by virtue of the fact that varying percentages of the ice produced by them enter the channels of interstate commerce. With this large number of our industry members in mind, the first objection we have to S. 1349 is that provision having to do with the proposed increases in the statutory minimum wage rates.

To begin with, the greatest single cost factor in the manufacture of ice is labor. Of the total cost in manufacturing a ton of ice, approximately 44 percent is directly chargeable to labor. One of the peculiar characteristics of an ice plant is its nonflexibility of use. Once the equipment is installed, there is only one thing for which it can be used and that is to "freeze water." The plant cannot be converted to any other use. The tonnage production of a plant is governed and controlled by such variables as weather, customer demands, and so forth.

With the exception of the initial outlay for the capital investment to construct the plant, the operating labor is the predominant factor in the ice business. For this very important reason the labor costs in the operation of an ice plant must be kept to a reasonable and equitable minimum, or else the returns on a large capital investment will be materially reduced, even to the extent of making the ice business nonprofitable.

If the cost of labor is increased through statutory requirements as proposed in S. 1349, the only possible way that an ice company employer could meet these added financial burdens would be to increase the prices of his ice to the consuming public. Such an increase is impractical and, in fact, impossible for competitive reasons. By and large, the ice business in this country is a locally owned business. It is a highly competitive business, privately owned and operated at the local level. The competition which an ice company faces is of two kinds: (1) Competition within the industry itself, that is, between two or more ice manufacturers operating in the same town or even adjacent towns or cities; (2) competition from the mechanical-refrigeration industry, which, beginning in 1924 has, with increasing force, been cutting serious and heavy inroads into the ice industry's total business.

Because of this inescapable problem of competition, both from within and from without the industry, the ultimate prices of ice to the consuming public are controlled to the same degree of exactness and, perhaps, even more so than they are today with the existing regulations of the OPA.

There is another important element of competition affecting the ice industry which must be considered not only in connection with S. 1349, but with the present wage-and-hour law as well. It is the competition which one ice company, operating in a town or city and devoting itself entirely to intrastate business, can offer another company, operating in the same town or territory that engages only to a certain extent in interstate commerce. The company doing only intrastate business is not subject to the wage-and-hour law, whereas

the second one doing some interstate business is subject to the coverage. I use the word "some" purposely because of its significance to our people. No other term has caused them greater fear and worry since they do not know how much ice they may be allowed to supply the channels of interstate commerce and still not subject their total establishment to coverage of the act.

The Administrator has never taken a definite position on this question and the courts are miserably divided in their views. Some courts have held, under the so-called de minimus rule, that if a company engages in interstate commerce to the extent of a fraction of 1 percent, this is sufficient to subject its employees to coverage. Other courts have allowed a company to engage in interstate business to the extent of 7 percent without compelling it to comply with the act.

The Supreme Court of the United States has agreed to hear at an early date the case of *Southern California Freight Lines* v. *McKewon*, involving this particular issue. It is obvious, therefore, that Congress should correct the mistakes it made in drafting the language of the present wage-and-hour law so as to eliminate this divergence of opinion among our judiciary as to just what they believe Congress really had in mind concerning this question of basic coverage.

Considering further this type of competition as between the ice company doing only intrastate business and the one engaging in interstate business, even though in many instances the amount in total percentage is relatively small, these are a few additional basic facts to bear in mind.

In the first place, the production cost of a ton of ice is virtually the same in both plants. The same general type of equipment and the same amount of labor are required.

Secondly, the characteristics of the ice are, for the most part, identical. Both plants produce a block of hard, crystal ice, ready for whatever use it is put to. Up to this point, both types of operations are the same, but then the picture changes.

The company doing only intrastate business has no minimum wage rates to worry about except as those are determined through collective bargaining, precedent, or otherwise.

With the company doing interstate business, however, there is a statutory minimum wage, a statutory number of hours beyond which the employer dare not work his employees without paying them time and one-half for overtime.

Both company employers are competing in the same labor market, producing the same identical commodity, yet the "take home" pay of one group of employees is considerable greater than the other, caused by this small and oftentimes, insignificant amount of interstate commerce business, which, nevertheless is sufficient to bring them under the act. In actuality, therefore, an ice company is heavily penalized by operating under the act.

Another very important factor of the ice business which I would like to bring to your attention is the seasonal nature of the business.

Approximately 50 percent of the total annual production of ice is produced and distributed in three peak months during the summer. Because of this heavy demand for ice during these 3 months, there necessarily must be continuous, round-the-clock operation. There can be no "pulling the switch" in the ice plant during the hot summer months. This situation alone requires long hours and much overtime.

This heavy amount of business will only last 3 months with a gradual decline to almost no appreciable business during the winter months. In fact, most plants are shut down almost completely during a couple or three winter months to allow for the necessary maintenance and repair work to be done. Here again, the labor problem enters the picture as the employer must continue his pay roll throughout the year or else face the ensuing season with no experienced help.

Permit me to say also that the price of ice has changed very little during the past 20 years. Moreover, the price received for the ice sold to railroads for car icing purposes or other media of interstate trade is lower than the price levels for any other classification of ice trade.

At the present time ice companies are selling ice to railroads and to the shippers of perishable food products at a very narrow margin of profit, and indeed in many cases at no profit at all. Thus, the companies of our industry that find themselves subject to the minimum wage and overtime provisions of the Fair Labor Standards Act are in reality doubly penalized as compared to those companies not covered by the act.

First, their total labor costs are much greater, due to the large amount of overtime required as a result of the very nature of the business.

Secondly, the margin of profit on their interstate business is considerably less than domestic, commercial, or other types of trade.

You might well ask, "Why do these ice companies engage in this interstate type of business if it isn't very profitable?" The question may be answered in two ways:

(1) Few, if any, ice companies devote themselves exclusively to interstate trade. Instead, their domestic, commercial, and industrial customers, together with their usual multiple-type operations, such as fuel, both solid and liquid, et cetera, constitute the greater percentage of their total business. So, the interstate portion of their business merely enables them to maintain a higher and more stable local factor throughout the year.

(2) The railroads, private carriers, and shippers of perishable food products operating transportation facilities throughout the entire United States, must of necessity depend upon the privately owned ice-producing plants to supply them with ice. They cannot, or at least they do not, provide their own facilities, except in a few instances where a transcontinental railroad has constructed an ice plant for railroad car icing purposes, exclusively, at points strategically located along the roads where other facilities are unavailable. Thus, it is from a deep sense of responsibility and obligation to the general public that the ice industry assumes the tremendous task of supplying this indispensable refrigeration, despite the fact that in a great many instances it is the least attractive of all its business.

The ice industry does not wish to go on record before this or any other committee of Congress as wanting to impede the progress of improving the living standards and conditions of the American people, and particularly those of the non-white-collar men. To the contrary, we voice our desire in seeing our country, with all of its diversified ways of life continue its leadership in our many fields of endeavor, to the end that greater comforts and a more abundant life may be attained by everyone.

On the other hand, we do not believe the proper way to accomplish this objective is for Congress to enact legislation which favors only only one segment of our people, namely, the wage earner.

In other words, if Government sponsors the policy of raising wages without raising prices, it drives businessmen, either manufacturers, retailers, or both, to the wall and dries up the source of all jobs.

Management must be able to operate with a reasonable margin of profit or else there will neither be products to buy nor pay-roll funds with which to pay labor in the making of these products. The economic pendulum must not be permitted to swing too far one way or the other. Nor, should it be conceded by Congress or by the American people that the present wave of strikes and flood of unreasonable demands for wage increases, usually referred to as the inevitable aftermath of war, are to be the accepted means by which our national economy is to be adjusted.

The ice industry feels that the present 40-cent statutory minimum wage provided for in the Fair Labor Standards Act is sufficient to maintain an equitable economic relationship between its management and labor and is, therefore, unwilling to accept any increase in this prevailing rate. While approximately 42 percent of the 5,200 ice company plants or establishments, in whose behalf I am authorized to speak, are presently covered by the wage-and-hour law, their total interstate business, expressed in tons, only amounts to approximately 11 percent of the industry's total production. This 11 percent is computed on an industry-wide basis. On an individual company basis the total amount of interstate business varies from a fraction of 1 percent to a much higher percentage in some, but with a general average of probably not more than 7 or 8 percent.

Thus, if an ice company engages in interstate commerce to the extent of approximately 7 or 8 percent of its total business, heavy penalties already are imposed by the present wage-and-hour law. An increase in the minimum wage, as proposed in S. 1349, would only aggravate this situation.

Throughout the South, in particular, and in most small towns and rural communities over the country 40 cents an hour is more than ice companies are presently paying for ordinary unskilled labor. To increase the 40-cent minimum as proposed in S. 1349 would simply make it impossible, or at least unprofitable, for ice companies to engage in any interstate business.

As evidence of this, many ice companies during the war refused to ship ice out of State to localities experiencing ice shortages, or to supply ice for railroad car icing, because to do so would have placed them under the act.

In other words, the 40-cent minimum, and particularly the overtime requirements of one and one-half times the minimum for all over 40 hours, must have been more than they were already paying or else they would have taken on this additional business. Or to say it another way, the total costs accruing from doing business under the act would have exceeded the net profits that might have resulted from the sales of ice for interstate commerce. If this were true at a time when the volume of business was large, as a result of abnormal wartime demands, it would be even more so for the ensuing postwar period when every ice company faces excessive competition and shrinking markets.

The 2,200 establishments of the ice industry presently operating under the provisions of the wage-and-hour law simply could not afford to pay the minimum wages as proposed in S. 1349. Should this proposed bill be finally enacted into law, the railroads, packers, and shippers of perishable foods would suddenly find themselves without a supply of ice so necessary in protecting these perishables during their movements across the country, because the ice companies supplying this ice will eliminate their present interstate business.

Railroads alone used approximately 8,000,000 tons of ice during 1944. The companies supplying this ice sold it to the railroads on a very narrow margin of profit. To produce and distribute this ice, these companies were compelled to maintain heavy crews of labor because the demand came during the same three peak summer months simultaneously with the same peak demands of the companies' other customers.

This condition causes large amounts of overtime to accumulate This requirement for much overtime during the yearly ice seasons is not just a wartime condition. Instead, it is a normal, regular and annually recurring practice imposed upon the ice industry as a direct result of the highly seasonal characteristics of the ice business.

In the event these companies should eliminate their interstate business and therefore escape the minimum wage and overtime requirements of the wage-and-hour law, the movements of perishable foods throughout this country would be seriously paralyzed.

In fact, we know of no way by which a calamity of this kind could be met because the railroads and other carriers of perishable foods neither have facilities of their own to produce the required tonnage of ice for this indispensable refrigeration, nor do they contemplate the construction of such facilities.

It would be very uneconomical for them to make heavy investments in building plants just for this one use in the first place, and, secondly, no diversification of market outlets for their surplus ice would be available, because, pursuant to interstate commerce regulations, they would be prohibited from engaging in competitive retail selling.

Again, the ice business is local, seasonal, highly competitive and one in which there is absolutely no reconversion possibilities. Consumer prices are fixed and susceptible to little or no fluctuation. The absence of speculation in the ice business is particularly conspicuous.

The increase in wartime business which the ice manufacturer has enjoyed during the past 3 years will not continue because wartime demands for ice will decrease. Certain shrinkages in tonnage are inevitable.

Therefore, we respectfully submit the inequity of legislation such as S. 1349 which will, if enacted into Federal law, force a substantial segment of the ice industry to operate under a blanket minimum wage, on a Nation-wide basis, without taking into consideration the fact that labor conditions, wages, practices, and so forth, within the industry vary greatly in different sections of the Nation.

The second objection the ice industry has to S. 1349 is section 5 of the bill wherein it is proposed that the Wage and Hour Administrator, functioning in collaboration with industry committees, would be authorized and empowered to establish wage differentials between interrelated job classifications.

It is our belief that the vesting of such broad discretionary authority in the hands of an individual Government official is wrong. Moreover, even if such authority were spread to encompass a single department or division of the Government, the result would be equally bad because it would only perpetuate the existence of a bureau with its accompanying bureaucratic power to regulate American business.

Also, we submit that a procedure to establish wage rates on interrelated jobs as proposed in this bill will, if enacted into law, destroy the tried and tested means of settling such problems through long-established practices within industry plus the achievements accomplished through collective bargaining.

Job classifications, their relative importance to one another, their scale of wage compensation, are the results of many years of experience in the realm of competitive employment. No legislative mandate should be issued to circumvent or otherwise vitiate this method of operation under our present system of American free enterprise.

The ice industry feels that our present system of regulating interrelated job classification wages has been accepted and satisfactory to both management and labor and that S. 1349 offers no new or workable scheme which would improve it.

The last objection the ice industry has to S. 1349 is directed against that section which provides for a 5-year statute of limitations on employee suits for unpaid wages, overtime, and liquidated damages. This length of time is, we believe, entirely too long and unreasonable for possible suits on the part of employees against their employers.

Already, the ice industry has formally gone on record with the House Judiciary Committee in support of H. R. 2788, specifically identified as the Gwynne bill.

This bill proposes to amend the Federal Code, establishing a 1-year limitation for private actions and public actions where the United States is not the real party in interest, except where a shorter period is provided by State law. On actions in which the United States is the real party in interest, the period of limitation is increased to 2 years.

Should S. 1349 be enacted into law, its provisions for a 5-year statute of limitation, would supersede the more reasonable and acceptable terms of the Gwynne bill even if the latter were finally passed.

It is only proper and equitable to all persons concerned that a Federal statute, such as the Fair Labor Standards Act, should not only create rights but at the same time, should provide definite remedies for violations of these rights and, more especially, should specify a definite period of limitation, within which a claimant must bring his action. Under no circumstances should the present failure of the wage-and-hour law to specify a definite period of limitation be permitted to continue.

In the case of *Smith* v. *Continental Oil Co.* (8 W. H. R. 152), tried in the United States District Court for the Eastern Division of New York, the court said:

> The Fair Labor Standards Act does not itself specify any time within which the right of action it confers must be commenced, though jurisdiction is provided in both Federal and State courts. This omission might well be remedied by the Congress in the interest of uniformity.

Again in the case of *Bright* v. *Hobbs* (56 F. Supp. 723), tried in the United States District Court for Maryland, the court said:

> We are informed that there is now pending in Congress a bill to provide a uniform period of limitation under the Fair Labor Standards Act, but up to the present time Congress has seen fit to leave this matter to the various States, unfortunate as this is, because uniformity in a matter of this kind, especially where the State statutes vary so greatly, is highly desirable.

As to the need then, for uniformity and definiteness with respect to a reasonable period of limitation within the Fair Labor Standards Act, we believe every member of this committee is in complete affirmative agreement.

The ice industry is no different than the scores of other industries that constantly find themselves confronted with the many uncertainties and possible litigation growing out of the administrative interpretations, conflicting court decisions, and so forth, involving wage-hour matters.

There is therefore a very definite need for Congress to rectify this troublesome situation by writing into the present statute a specified time limitation within which all these controversies may be adjudicated equitably and expeditiously.

The important question of the moment then is, How long a period of limitation should be provided?

The ice industry's recommended answer to this question is that the 5-year statute of limitations, as proposed in S. 1349, be changed to comply with the same periods of limitation as provided for in the Gwynne bill.

We believe that from the standpoint of both employee and employer such a limitation is just and fair as well as reasonable and workable. It will neither handicap nor preclude recoveries by an employee on any equitable suits arising out of his employment relationship.

Instead, it provides him with sufficient time in which to avail himself of the full and complete remedial stipulations of the act.

We feel that a failure on the part of an employee to exercise his right of action within 1 year from the date his cause of action originated, should forever bar him from instituting a subsequent employee suit.

Senator TUNNELL. What did you say is the minimum wage now in the ice industry?

Mr. JOBE. Forty cents.

Senator TUNNELL. Forty cents. And did you not say that the majority of the employees, or a large number of them were not getting more than that?

Mr. JOBE. I said that throughout the South, and in a vast number of rural communities and small towns, they get less than 40 cents.

Senator TUNNELL. Less than 40 cents. In other words, with the 40-hour week, they get less than $16?

Mr. JOBE. No. My answer to your question had to do with the minimum of 40 cents. They make much more than that, because they work much longer hours than 40 hours a week. They work as much as 80 hours a week.

Senator TUNNELL. But on the basis of 40 hours a week, they are working 2 weeks, according to that, in one; but on the basis of a 40-hour week, they are making less than $16.

Mr. JOBE. If they are working 40 hours a week, that is correct.

Senator TUNNELL. Now, is there any difference between the large manufacturer of ice and the small one? That is, is there any difference in the cost of production?

Mr. JOBE. The larger the company operating in the larger cities—their costs are greater than in the small company operating in the smaller towns.

Senator TUNNELL. And manufacturing on a wholesale basis does not lower the cost of production?

Mr. JOBE. No, sir.

Senator TUNNELL. Do they manufacture it pretty largely in cans?

Mr. JOBE. Yes, sir, that is the predominantly accepted method today of manufacturing ice.

Senator TUNNELL. Yes. Now, there are some chemicals necessary, are there not?

Mr. JOBE. Well, you use salt for the brine, but the ice itself is crystal clear and chemically pure. There is no chemical in the ice.

Senator TUNNELL. Do you use ammonia.

Mr. JOBE. The ammonia is the refrigerant.

Senator TUNNELL. That is the refrigerant; yes. Is that a great item of expense?

Mr. JOBE. Well, it is a cost item.

Senator TUNNELL. It is a cost item.

Mr. JOBE. I am not in a position to tell you exactly what percentage it is.

Senator ELLENDER. You can use it over and over?

Mr. JOBE. It is used continuously and it has to be replenished every so often, but not too frequently.

Senator SMITH. Did you say in your testimony what the percentage of labor cost is?

Mr. JOBE. Forty-two.

Senator TUNNELL. What was your question? What percentage of what?

Senator SMITH. What percentage of the total cost was the labor item. I did not get in here in time to hear the first part of his testimony.

Mr. JOBE. Forty-two percent.

Senator ELLENDER. Do you know how many people would be affected by this bill?

Mr. JOBE. I stated in my testimony that there were approximately 2,200 separate plants, or establishments.

Senator ELLENDER. Well, how many people would that represent?

Mr. JOBE. The total industry employs approximately 250,000 people.

Senator ELLENDER. Now, as to those factories that sell interstate, is it not true that they must also pay the wages provided under this bill, if they sell locally and deliver locally?

Mr. JOBE. Only the ice—the difficulty, Senator, comes in keeping them separate. The act says that any man having to do with the production, handling, or accounting of goods made for commerce is covered by the act. The difficulty in our industry is to separate our employees as to those devoting their entire attention to interstate business as compared to those doing intrastate business and interchangeably where they are doing both.

A man may work half a day doing car icing and spend the afternoon delivering domestic ice.

Senator ELLENDER. But the whole thing is put under it, is it?

Mr. JOBE. That is correct.

Senator ELLENDER. The point I had in mind is:

Suppose you had two factories, two plants in a town of, say, 10,000, and one is engaged in interstate, and the other one in intrastate business.

Mr. JOBE. Yes.

Senator ELLENDER. As I understand the law, the factory that is engaged in interstate business must not only pay the fixed wage for the ice shipped out of the State, but also for the ice that is delivered from house to house within that area, within the town.

Mr. JOBE. No; if he can separate it. The only ice that is covered is the ice that goes into interstate commerce.

Senator ELLENDER. Well that should not be very difficult to separate should it?

Mr. JOBE. Yes; it is. A man works 2 hours in the morning icing a car and he might spend the next couple of hours delivering domestic ice locally and go back in the afternoon and ice another car that they just got notice, 15 minutes in advance, was coming in.

Senator ELLENDER. Well, what about the percentage of ice that is sold in interstate?

Mr. JOBE. Well, we estimate that on an average it varies from a fraction of 1 percent. A company may ice only a dozen cars in the whole year, railroad cars I am talking about, just a fraction of 1 percent of their total business, whereas another company might be devoted exclusively to cars. Then, you have the plants all between.

The general average, as we estimate it, would be around 7 or 8 percent of the total industry.

Senator ELLENDER. Well, I am a little confused. That is why I am asking these questions.

Is it your interpretation of the bill that although a factory sells both interstate and intrastate, that it is under the act only as to the part of the ice that is sold interstate?

Mr. JOBE. The act is based on a workweek. If a man working during that week engages in the production of ice for interstate, he is covered.

Senator ELLENDER. That is what I was saying, it covers the whole operation?

Mr. JOBE. That is right.

Senator ELLENDER. So that if he manufactures ice and sells it locally only, he is not concerned by the act?

Mr. JOBE. Yes.

Senator ELLENDER. That is all.

Senator TUNNELL. Then, from what you say, the ice industry, as a whole, is paying to the great majority of its employees less than the present minimum wage law requires?

Mr. JOBE. We have no definite statistics, Senator, as to what percentage that is. We know that through the South, we will say in the small towns and rural communities, they are prevailing wages or else they couldn't get the employees to work.

Senator TUNNELL. I don't understand your statement as to the South. So many witnesses refer to the South, and yet, this morning, we had an uncontradicted statement that the State where the lowest wages were paid was Maine.

Senator ELLENDER. I guess the South is so warm that it has most of the ice manufacturing in the Nation, Senator.

Mr. JOBE. I happen to come from the South, and I know that you can live cheaper there than in the North. Forty cents in a small town in Alabama is equivalent to $1.50 in Washington.

Senator TUNNELL. I would like to get that from somebody who works on this 40-cent rate. I would like to hear some of these people express themselves about that. We have already had some testimony from the South about inability to get the necessities of life.

Senator ELLENDER. I would like to say something off the record.

(Discussion was had outside the record.)

Senator TUNNELL. All right. I have no further questions.

Senator ELLENDER. That is all.

Senator SMITH. That is all.

Senator TUNNELL. I have a statement here from Reid Robinson, the president of the International Union of Mine, Mill and Smelter Workers, CIO, which will be inserted in the record.

(The statement referred to appears in the appendix.)

Senator TUNNELL. There will be no hearing tomorrow because of another engagement that Senator Ellender and I have.

Mr. KRAMER. I have a witness for tomorrow from New York.

Senator TUNNELL. You can notify him of the postponement.

The hearing is adjourned until 10 o'clock Friday morning.

(Whereupon, at 3 p. m., an adjournment was taken until 10 a. m., Friday, October 12, 1945.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

FRIDAY, OCTOBER 12, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424–B, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. Mr. Fraser, are you ready to proceed?

Mr. FRASER. Yes, sir.

TESTIMONY OF SAMUEL FRASER, SECRETARY, INTERNATIONAL APPLE ASSOCIATION

Senator TUNNELL. Will you give the reporter your full name?

Mr. FRASER. Samuel Fraser, International Apple Association, Rochester, N. Y. I am secretary of the association. My training is in farming, and I have been a farmer all my life.

Senator TUNNELL. From where? Where do you farm?

Mr. FRASER. Geneseo, N. Y.

Senator ELLENDER. What size farm have you, Mr. Fraser?

Mr. Fraser. Two hundred and forty acres.

Senator ELLENDER. What do you grow?

Mr. FRASER. Mixed farming. Fruit, cattle, general farming, I grow 80 acres of fruit—30 acres of cherries, 30 acres of apples, and some other fruits. I have been in farming as a laborer, or working a farm or owning one for the last 57 years.

I have seen the ups and downs of farming.

I realize this is a broad subject with many facets. I can bring you only one view, and I would like to develop that view as I see it. That, of course, is subject to someone else's interpretation as well as mine.

I meant to bring this morning, and I am now trying to secure a bulletin issued by the Department of Agriculture on what peace can mean to the farmers. I will see that all members of the committee are handed a copy of this bulletin as soon as they are available. It was issued July 1945 as Miscellaneous Publication 570. I insert in my brief table 1 of this publication as my table 1.

Of all things today, I think food is the most important and the production of food in the world today is 3 percent less than it was in the years 1935–39. That means that per capita we are 10 percent below the dietary of those years. That means that 1 day in 10 we

don't eat, or 5 weeks in 50 we don't eat, on the same basis we ate in 1935.

Senator TUNNELL. You don't want to try it that way, do you?

Mr. FRASER. That is what we are doing today.

The United States, and the Americas, have been particularly favored. We did not have the war wrecking production of food.

What I want to bring out is that whenever we are in war we have destruction of the things which provide for the individual economy, and we sacrifice that to the attainment of the war effort. We always pay for those diversions. We never get away from paying for those orgies, or delusions into which men drop when they go to war. They are inevitably costly.

The production of food in the world is one vital item for peace—in some war zones food has been unobtainable at any price—it is one of the most important problems that can come before this country at this time, and I would like to dwell for a few moments on some of the prospects of the increases in cost of production and depression of the prices producers may receive.

The Department of Agriculture release, Miscellaneous Publication No. 570, carries a table which I think is enlightening, because it seeks to present to agriculture possible changes it may expect to meet.

The publication shows that the total United States labor force, the average for 1935–39, was 53.8 millions, in 1943 62.6 millions.

With full employment in prospect, if that continues, we expect to be able to employ 60 million, or we would have 60 million to keep in employment say up until 1950.

Senator TUNNELL. Why do you say that?

Mr. FRASER. That is the statement of the Department of Agriculture.

Senator TUNNELL. What is wrong with them after 1950? Why take 1950?

Mr. FRASER. They are taking a forecast more or less up to 1950, and I want to show the possibilities which they show to us, which we must be prepared to meet as farmers, and if we are prepared to meet these circumstances and the forecast has any basis—and I take it we recognize that the sun shines and it doesn't shine, and we have summer and winter, and we have high tide and low tide, and tides in the affairs of men are equally subject to repetition as circumstances arise—they are showing what we must be prepared to adjust to.

For example, in the case of full employment, it continued, we would have a national income of $150,000,000,000, but, supposing there is only intermediate employment, which means 7,000,000 unemployed—and 7,000,000 unemployed will probably come by January—then they indicate that the national income will be expected to drop to $105,000,000,000.

Now, the effect on the farmer will be to drop the parity ratio of prices received versus prices paid to 89 as against an average of 1935–39, of 84.

Also, if we get a serious depression as we had in 1932, and have 17 million unemployed, then the parity ratio may be expected to drop to 62, and the farm population would have 30 cents a day national income, on the average, per capita.

The proposal of intermediate employment means we would have 58 cents a day per capita for the people living on farms available for the total payment of all things. (See table 3 p. 456.)

The relationship of the farmer as shown in the table III is that, under those circumstances, the man in the city and those not on the farm may have about four times the income of the man who is on the farm, so you would have something like $2.30 per capita per day which is about the same amount as the years 1919–29 for the people not on the farm.

With that purchasing power in prospect, any attempt to try and keep the present rate of prices, labor, or any other thing, is not attainable, and I think nothing but a realistic view of the situation should be taken at this time, and we should adjust to the possibilities with which we may be confronted.

And the only way we can see to do so is to allow the operation of the free economic play of the prices, labor, and other things. That is the only way, because with this possibility you don't know what is going to happen.

Senator TUNNELL. Do you believe they ought to reduce wages?

Mr. FRASER. You can't help yourself if you can't employ them at a profit.

Senator TUNNELL. Then, what would an apple bring?

Mr. FRASER. It might bring the prices shown in table II, in which table I have given you apple prices for 70 years, covering New York wholesale prices for 6 leading varieties. In the decade, 1919–29, the per capita national income average $1.67 per day and a bushel of apples on the average sold for Baldwin, $1.62; R. I. Greenings, $1.75; Spy, $1.93; McIntosh, $2.35.

Senator TUNNELL. I pay 5 cents apiece for pretty small ones.

Mr. FRASER. We have the shortest crop in history at the present moment, and in the eastern part of the United States if we processed as many apples as we did last year, there would not be one fresh apple on sale.

The western New York crop is 2 percent of full production, and it emphasizes a point which I would like to develop.

Senator TUNNELL. Was that destroyed by one cold spell?

Mr. FRASER. By continuous cold weather during the time of bloom, and we are subject to those circumstances all the time. Also we never know what price we are going to get and no price you could give us would ever pay for the cost of production of this crop in the Eastern States.

The Pacific coast is in better condition. California has an exceptionally good crop. So that the supply is, on the whole, the shortest crop in years, with very small supplies east of the Mississippi.

I am answering the question as you raised it, and just to show you why you are paying for apples.

Next, the costs which are now incurred in the growing and packing and marketing, are on the highest wage scale that we have ever had in the United States.

(See table 3, p. 456. Per capita national income, $3.61 per day in 1944, against previous high of $2.38 in 1929, and costs in growing and handling apples carry these increases.)

Senator TUNNELL. What sort of crop did you have last year?

Mr. FRASER. Last year, we had not a high crop, but an average crop in the United States.

Senator TUNNELL. They were pretty high-priced then?

Mr. FRASER. Well, sir, you require 520 hours of labor to grow and pack an acre of apples in the State of Washington, 240 hours will go

in up to harvest; 280 hours are required to harvest and pack. That means about 1.2 hours of labor in a box of apples, based on a 10-year record covering millions of boxes.

Senator TUNNELL. Does that depend on the size of the crop at all?

Mr. FRASER. No.

Senator TUNNELL. You will have 280 hours to harvest?

Mr. FRASER. The labor up to harvest is constant. The trees must be cared for crop or no crop.

Senator TUNNELL. I see. Will you have the 280 hours for harvesting apples this year?

Mr. FRASER. In some districts.

Senator TUNNELL. But on an average—you are not talking about where there is a heavy crop?

Mr. FRASER. Let me finish Washington, please.

Senator TUNNELL. All right. I hope you can.

Mr. FRASER. They have a normal crop, about 400 bushels to an acre, and they have that set of figures on which they are operating, 280 hours of labor, or 1.2 hours of labor per box of apples, at 80 cents an hour. They have $1 of labor right there in that box.

In 1914, the labor relationship to cost of production was about 38 percent. Today the amount of labor in production is 56 percent.

We are on a basis of rising costs of labor, because all of our work with apples is on a hand-labor-basis. We cannot do mechanized production as we can with rice where we can broadcast and flood, and then put a combine in and do it mechanically, or, as we might do with peanuts or other crops.

The fruit and vegetable industry is in a critical condition if you start to arbitrarily fix the rates, and you cannot possibly fix the price which they are going to receive.

Now, in New York, the common charge for labor in growing an acre of apples is 140 hours of which 50 hours is up to harvest, 37 for harvesting, 37 for packing and 14 for the hauling and other incidentals of getting it on the car.

It takes as many hours to harvest as it does to pick.

This proposal is to split that job right there and put the packing under the wage scales provided in this bill. The picking will be going on at the same time, and of necessity, you must pay at least the same wage, and the picking and the packing and the movement to market constitutes over 66 percent of the total labor cost of growing of apples in a State like New York.

What are we going to do when you kite that cost? We are going to sell, in all probability at from $1.60 to $2.30 a box delivered New York market when conditions drop to the 1919–29 level. These are the prices received in New York during that period.

To us it is unthinkable and impossible to fix a wage scale when the returns are floating.

(See table 3.)

Senator TUNNELL. Do you think you can fix any wage scale that will fit the period from 1929 to 1933?

Mr. FRASER. No; I don't think you will fix any wage scale. I think the whole thing is a fallacy.

Senator TUNNELL. Do you believe in fixing the wage scale at such a point that it will fit the conditions from 1929 to 1933?

Mr. FRASER. No; because you don't know you can give us 1929. You may have 1932, and at that time the agricultural people got an

income of 21 cents a day, and if this forecast is carried through and we get the 17,000,000 unemployment, we will go back to, say, with Government payments, 26 cents a day for all the farm population in the United States, from 26 to 30 cents, perhaps less.

And you can't stop it when it is an economic adjustment.

If we act in accord with economic law, we will succeed in legislation. If we violate it, we simply can't force it, and I think you are confronted with an unenforceable set of conditions, as far as we are concerned, in agriculture.

You may think it can be applied in other lines. I still think that is impossible, but I am only arguing for agriculture at this time, and the general relationship of agriculture in the economic adjustment which is inevitable.

We recognize that in 1929, the factory workers got about $11,000,000,000, and agriculture got 11 billion of cash sales.

In 1932 the factory workers got about $5,000,000,000 and agriculture got about $5,000,000,000 for cash sales.

Unless the worker has the money, the grower cannot get it, so we want a good wage scale, but we want it under economic law and adjustment thereunder because we have to operate under economic law and the adjustment. We want full opportunity for economic law to carry industrial and other wages up to the highest plane. It is to the advantage of agriculture.

I believe if you will recast your approach on this situation, with that end in mind, and look at the bill from that angle, and leave all the opportunities for economic law to make the adjustments, we may get somewhere.

But I cannot see a forced wage scale being made to operate on our commodities.

Senator SMITH. Are you referring to the entire wage scale, or are you talking about the minimum wage?

Mr. FRASER. Whenever you set a minimum wage, sir, that is used by the union as something they must beat. Otherwise, there is no justification for having the union.

And they seek to interpret the minimum wage scale, and change it into something which is just a basis.

Now, then, in your job classification which this proposes, the Department of Labor has already devised 29,000 classifications of jobs, in which they are going to fit this so-called 50,000,000 workers. That in itself is going to be a splendid opening for jobs at Government expense, and it will pyramid Government employment.

And Government expense has been pyramiding right straight along, straight through the years. That is the one thing that has advanced so far.

Senator TUNNELL. The one thing?

Mr. FRASER. Certainly, production for civilian use has declined for the last several years.

Senator TUNNELL. Why limit it to civilian use? Don't you think the soldiers are entitled to be fed?

Mr. FRASER. Certainly they have to be fed.

Senator TUNNELL. Why do you compare it to civilian use instead of total production?

Mr. FRASER. I split it because the figures are given that way in the Department of Agriculture data, and various other statistics.

The Government has been handling the purchasing of these other commodities and the Government in the market has been the one factor in putting the high——

Senator TUNNELL. You said that Government expenses are the only thing that have gone up. That is not my information or my experience. I would like for you to explain what you mean by that.

Mr. FRASER. I mean that the increase in the expenditures due to war have gained in the last 4 years faster and greater than the gain for civilian use——

Senator TUNNELL. But you said Government expense was the one thing that had gone up.

Mr. FRASER. Certainly, because the Government has been handling the war situation.

Senator TUNNELL. Haven't wages gone up?

Mr. FRASER. Yes, sir; because the best market in the world is the United States Government in the market buying the goods on a war inflated market.

Senator TUNNELL. Hasn't the price of living gone up?

Mr. FRASER. The price of living has gone up with the increase in wages, because wages register as costs.

Senator TUNNELL. Then why do you say Government expense is the only thing that has gone up?

Mr. FRASER. In the listings of national income, the portion devoted to Government is the one that is outstanding in the increase in recent years.

Senator TUNNELL. Because of the war?

Mr. FRASER. Because of the war, certainly. That is an essential thing.

I am not arguing about that increase because liberty is worth fighting for. It is priceless. I am not doing anything but pointing out that is what has happened, but I want it recognized that it is not going to continue. What we have seen developing in the last 4 years is no criterion to tie to.

If you will look at my table II, you will see just what it has done.

Senator SMITH. Is this in your testimony?

Mr. FRASER. Yes, if you will just turn to table 2 at the end, you will see there that instead of as in 1919–29, somewhere around $600 average annual income per person, we have gone up to $1,117 in 1944. Instead of having an average income of $1.67 per day for the United States, we have an income of $3.06. (Table 2 appears on p. 454.)

And, of course, labor would like to stabilize on such a basis.

And when you have a high average income inevitably prices rise because the income is in the cost of the goods. Wages register all the time.

The point I am raising is that we are likely, according to the forecast, to drop back to this $600 bracket, and the Secretary of Agriculture is trying to point out that that is what we must be prepared to adjust to right quickly, and we saw a decline in the national income of over a billion dollars in August of this year and with our world shortage of food we witness the price of food declining every day.

The Government is stepping out of upholding the market and we must expect that the loss of such a buyer will register.

Under a scale of declining prices to try and stabilize a wage scale at a point which was brought about by the Government staying in

when the Government is going out is unattainable, furthermore this proposal is to not only try to hold at peak but force an increase.

We may not be going back, according to table I to this $1.67, we may go back for at least a time to the $320 of 1932. That is what we get to with 17,000,000 unemployed, and if that happens, then there is no way to stop the financial adjustment because the best economists can figure is $57,500,000,000 of national income, and that is going to mean about 26 cents a day to the "persons on farms" and that is not a high standard.

Senator TUNNELL. What was it in 1932?

Mr. FRASER. On table III we have broken down the "farm" and the "nonfarm" income per person per day.

If you turn to 1932, the yearly income of persons not on farms was $442. But the yearly income that same year for the people in agriculture per person on farms was $75. Certainly a yearly income of $75 is not going to make anybody enthusiastic about their year's income.

Senator SMITH. Isn't that the cash income? It doesn't take into account the living and what the man raises on the farm, does it?

Mr. FRASER. It takes into account the living derived from the farm rent and everything, according to the figures furnished by the Department of Agriculture. It is all in there, on the operation of the farm, the average return for the farmer was a minus. And the point we are bringing to you, gentlemen, is that the 58 cents daily income "persons on farms" which is shown for the 1919–29 period is inevitable when we have 7,000,000 unemployed, and that is what we have to anticipate.

And remember, the farmer sells at wholesale and buys at retail, and you are putting that group of people into a strait-jacket.

Senator TUNNELL. That is what every other producer does, isn't it?

Mr. FRASER. What?

Senator TUNNELL. He sells at wholesale and buys at retail?

Mr. FRASER. It depends. That is, he might be equipped to merchandise himself.

Senator ELLENDER. Such producers as those can regulate production and the farmer can't.

Mr. FRASER. He can't turn the spigot off. I can't break up my rotation. I don't know when I will reap, or when the turn will come.

Like in 1925, when Europe went into a terrible position and we had a good return in 1925, and it was a Godsend that we had 800,000,000 bushels of wheat to give to Europe because it tended to stabilize. I think Lord Kelvin was right. If you can express a thing in a figure you have got something. So we try to give it to you in a figure and show you that in 1944 the people not on the farm had a national income, the average per person, of $3.61, and the man on the farm had $1.39.

Now, then, that relationship—I don't want to inject parity in here—but the parity relationship which was based on 1910–14 was $1.33 against $0.37, or 3.59 to 1.

Professor Warren of Cornell started these figures on which parity was based, and he was a student of mine when I was there, and they were never meant to be used as a basis for fixing prices. They were what we could gather at that time showing the relationship at that time.

To bring them out as a basis on which you could set prices was never in our dream when we began to gather that data.

I know, because I was very much interested in the subject at that time. But they are the basis for this relationship of the yearly income and we have, under present circumstances, gone up from an average of $1.33 to $3.61, for that portion of the population "not on farms" which I don't believe we can maintain in our world position which we are going to have to adjust to.

If we don't win this peace, if we are not able to lead in the adjustments of the world, if we can't keep up with our exports because we are loaded with high costs, I don't see a very good outlook for the future. If we pyramid the costs, and 35 to 55 percent, varying with the crop, of our farm costs are labor, and we split the packing and all other items in preparing for market, and put these under a card index or classification, or what not, and a minimum wage scale above 75 cents on hour, as this bill provides, I see little possibility of keeping our exports up.

Senator TUNNELL. Do you think the help on the farm should pay the difference between cost of production in America and China, for instance?

Mr. FRASER. Oh, no. The point is, if we can in a free economy keep our goods moving abroad because we have made certain adjustments, we are entitled to that without being handicapped.

Senator TUNNELL. You know what they do with cotton farming?

Mr. FRASER. I know we put $50,000,000 into Brazil to help build up their cotton production.

Senator TUNNELL. And we put 4 cents a pound in all foreign production, didn't we?

Mr. FRASER. It has not worked. All we did was to drop the price of India's cotton, the 10,000,000 bales which were on hand. They reduced the price 3 cents a pound, when we put on 4 cents subsidy, which our taxpayers furnish.

Senator TUNNELL. Why do you say it does not work?

Mr. FRASER. Because India's cotton sold for 3 cents a pound less than ours, which shut us further out of our exports.

And Britain has taken out spindles made to handle United States cotton and installed spindles to handle Brazil cotton because they are working with the assurance that they can then undersell our manufacturers by 3 or 4 cents a pound, plus the cost of transportation.

Senator TUNNELL. What is your suggestion as to the situation as regards production in America, as compared with the foreign countries?

Mr. FRASER. I think we will adjust on one basis or two bases in our present position. The man who can produce for the local market and distribute to that local market such commodities as milk and small fruits, and those things, will survive.

The man who, because of our natural advantages, can meet any world price even on a free-trade basis, and I say "even"—due to our natural conditions, will survive, and, as we progress in our adjustment to that end we will take our chance, if we have a free market, and are not tied.

For instance, we have reduced the number of apple trees under the conditions forced on us, from about 200,000,000 to 70,000,000.

Senator TUNNELL. Why was that? Lack of help?

Mr. FRASER. That was, in many cases, a shift from points where they were not economically grown to points where they could be economically grown under conditions met in the period 1929–40. Loss of export markets, reduction in prices due to loss of buying power, and so forth. See table II for the price decline which forced these adjustments.

For instance, each apple variety has a heat requirement which determines whether it will mature in 60, 90, or 120, or 160 days from time of bloom.

We have charted the isotherms, mapped our soils, charted the varieties which are suitable to those different locations, and we are trying to locate each variety where it will do its best, and we are putting the work in the hands of men who will make the trees produce, and in that way we will get increased production without increased cost—by the utilization of our intelligence.

Senator TUNNELL. As I understand your answer, the reduction from 200,000,000 trees to 70,000,000 trees is a squeezing out of those who can't grow apples economically.

Mr. FRASER. That is right. That is inevitable; that is proper. We think those adjustments are right.

And I feel the same way about a job. I don't think anybody is entitled to a job. All I ever hoped for is the opportunity for one. I am just thinking of myself now. If once you get the opportunity to get a job, it is up to you to keep it.

Now, then, as to job classifications, the Department of Labor has issued a book of 1,287 pages in small type listing and describing 29,000 jobs, of which 7,000 are codified; for instance there is a "weed remover," a man who stands at the table when the spinach runs by after washing and he takes a weed out, and that is the only thing he can do. He is skilled, his wage will be over 75 cents and hour. Such classification is not going to be economical for our packing plants. The Labor Department have defined these 29,000 jobs carefully and indicate the bounds of the job, and they are going to classify all labor all the way up. At present the book is under extensive revision. I hope to file a copy. I expect it shortly.

When you come to a classification of 29,000 jobs for 53,000,000 workers, and put a minimum wage scale on each of them, it is such an imponderable job, and so worthless in its effort, that you had better let the men go to work instead of putting barriers of that character in the way.

If we are going to compete with the world, that is one thing, but if we are thinking we can live out of the world as an entity in ourselves, we will have wars galore. We will have to adjust on a world basis from now on. The world is small.

Senator TUNNELL. Do you believe in the present standard of wages at all?

Mr. FRASER. I believe in the upturn of the wage scale which has grown, due to the effort and intelligence and brains of America, and if you will check the physical volume of production, you will find we have gone up about 1.74 percent a year since 1834 up to 1900, and then came a time when we slowed down more or less, and we dropped to a factor of 0.64 per year and with it all wages advanced. I believe in the advance with the increase in production.

When we go into war, we curtail the physical volume of production for civilian use because our efforts go to war.

In the case of food, our production index did not keep up with the index of all commodities. We dropped down to a minus from 1919.

Senator TUNNELL. I ask you again: Do you believe in the present law with reference to wages?

Mr. FRASER. The Fair Labor Standards Act?

Senator TUNNELL. Yes.

Mr. FRASER. Well, sir, I wanted a different bill when we worked on it, and we had two bills, if you remember, and they went to a conference, and the committee worked during that hot June, and I stayed outside the door, and I would talk to them at night, and ask, "What did you do," and the chairman would try to explain, and we couldn't always understand.

It seems to me I am not alone in not being able to understand, for some of the administrators couldn't understand either.

Senator TUNNELL. I ask you again: Do you believe in the present standard of wages?

Mr. FRASER. The present standard of wages?

Senator TUNNELL. Legal standard.

Senator ELLENDER. The present wage and hour law.

Mr. FRASER. Forty cents an hour?

Senator TUNNELL. Yes.

Mr. FRASER. I would leave that alone because it is there. I would let that stand. I would not try to change it.

Senator TUNNELL. That is not interfering now, according to your theory?

Mr. FRASER. Well, if you put this bill through, it won't be in.

Senator TUNNELL. But if we don't put this bill through—do you think it is interfering with the farmer?

Mr. FRASER. No; because you have left agriculture out to a greater degree than you now propose.

Senator TUNNELL. Then, if a 40-cent rate for the farmer would be put into the present bill, would you think it was still an impossibility?

Mr. FRASER. Yes, sir; it is impossible.

Senator TUNNELL. The farmer could not stand even a 40-cent rate?

Mr. FRASER. No; many of them cannot, because today you have parts of the United States which are not getting 40 cents for certain types of labor. The average farm wage, without board, 1944, was $3.93 per day. The range by groups of States is $2.53 to $7.36. (See Farm Labor, U. S. Department of Agriculture, January 12, 1945.) The point is: why should you handicap labor from getting something? And it means the employer who does not pay that minimum amount is going to jail and will be fined $10,000 if he doesn't pay it.

Senator TUNNELL. If he does employ them and doesn't pay it.

Mr. FRASER. If he does employ them, and does not pay it, and I would like to do this: I would like to put all the bureaus under a court review and if you will allow an amendment to this present one which we fought for in 1938, a court review section—I don't see why a bureau chief, or any other American, should not be under law.

Senator TUNNELL. You speak of being here and working for your ideas in 1938. What is the difference between the argument you now put up and the argument you put up then?

Mr. FRASER. The fundamental soundness is the same. The factors have been changed—the principles have not changed. Economic law is just the same.

We got exemptions for agriculture which you now don't propose to allow.

Senator TUNNELL. I guess you did your work pretty well then.

Mr. FRASER. I don't think so. I am never satisfied with what I do. I believe that we should have a proper court review.

For instance, the classification of weed remover, a man handling spinach—and I will define that a "weed is a plant out of place"—supposing he is codified and classified and he is to be there when the spinach run is coming over the belt, and he isn't there and somebody else removes a weed and then his job is taken and the employer is fined $10,000 for violation and so on, or there is a basis for a strike, and so forth.

This is the point: That definition is now made. It is in print. If a protest is not filed with the court within 60 days after the order is given you are barred from court action or relief.

It is not an American standard to have a bureau or an employee of a bureau beyond the law in a matter of this nature.

I would support H. R. 1203 in that respect. You must maintain law if we are going to live in this Republic, and if we violate economic law we are going to die.

Senator TUNNELL. We are going to die, anyhow, aren't we?

Mr. FRASER. Well, there is no use dying before our time.

This is the unfortunate thing, sir. We have spent $500,000,000,000 and the other side spent $500,000,000,000, in order to kill 3 percent of the world's population in 5 years.

Visualize what an effort it is to shift 3 percent. It has taken this and the catastrophe that is going to endure for the next 30 years to move 3 percent out of existence in that manner.

People talk glibly of 3 percent as though it were a bagatelle. Three percent reduction in the production of the world's food means per capita 10 percent per person.

And the same thing in the wage scale. Take the proposal of the oil people that they be allowed 15 percent upturn in wages, and then because in the economic structure labor is 33 percent of the factor of cost, 5 percent should be added to the price of oil, thinking thereby they will restore to the producer the same amount of money.

You lose sight of the fact that as you increase the price you find very much more sales resistance, very much more tendency on the part of the user who is working on a 1½-percent or 2-percent net profit to find a substitute, so that at the increased price we do not develop the same flow, the same velocity of movement of oil.

Furthermore, as you increase the labor cost 15 percent in the manufactures of the United States labor is about 23 to 25 percent of production cost, and raw products 37 percent—as you increase the labor and transportation and all other things, you pyramid the costs on the raw products and when you determine that the man who is paying these, the employer is to get the same dollar profit—no more—then his dollars to buy his raw products have less purchasing power.

You have gone on a never-ending chase system which is simply impossible.

Senator TUNNELL. How much did you say it costs you an acre with a normal crop on your farm to grow apples?

Mr. FRASER. My fixed cost up to harvest is usually $80.

Senator TUNNELL. You said $130, didn't you?

Mr. FRASER. My fixed cost to harvest.

Senator TUNNELL. I mean all together.

Mr. FRASER. Well, my fixed cost up to harvest is perhaps 50 percent of my cost.

Senator TUNNELL. That is about $160; is that right?

Mr. FRASER. Wait a minute. The labor cost to harvesting is one-third of labor.

Senator TUNNELL. I want your total cost.

Mr. FRASER. With a fairly good crop of 250 bushels——

Senator TUNNELL. You said something about 400 bushels.

Mr. FRASER. In the State of Washington.

Senator TUNNELL. You don't grow as many?

Mr. FRASER. The factor of production in the East of the United States is not the same as in the irrigated areas. The irrigated area can't live if they don't do 400 bushels per acre, the East may live at 200.

Senator TUNNELL. Normally, then, your apples cost you about 60 cents a bushel?

Mr. FRASER. Without packing, yes.

Senator TUNNELL. Then, when you pack them, what does that cost?

Mr. FRASER. Today it is costing us 25 cents for the labor and 30 cents for the package and 5 cents for marking and putting into storage, another 60 cents.

Senator TUNNELL. What was the balance of that 80 cents? You said 80 cents from the time they were picked to the time they were marketed? Is that right?

Mr. FRASER. Not 80 cents.

Senator TUNNELL. You said 80 cents is what it costs you——

Mr. FRASER. Eighty dollars an acre. That, I said was a fixed cost whether I had a crop or not. This year I have no crop.

Senator TUNNELL. But you have your costs just the same?

Mr. FRASER. I have my costs just the same. We got the Treasury to allow us, when we have no crop, to carry our costs over if we made a loss, into the next year, because it is essential. We would be cheated out of our whole capital investment if we didn't, in a hurry.

Senator TUNNELL. I was trying to get what your cost of a bushel of apples was.

Mr. FRASER. Our costs will vary with the amount we get in a crop. We might have a big crop next year because the trees have been resting.

If we get 400 bushels or 500 bushels, with the present wage scale, we might have a cost of $1 to harvest, or $1.50, depending on the package.

And we anticipate that next year, instead of selling for $4, we will sell for $2. I expect we will be back to the $2 market.

To kite our costs to a minimum of 70 or 75 cents means with a 40-hour week, we will have to pay time and a half on 20 hours, because we work 60 hours a week, so the increase in wage of 50 percent means an increase in labor cost of 75 percent.

Senator TUNNELL. Even if they go to $2 you will still make a profit of 50 cents a bushel?

Mr. FRASER. I hope so, so I can pay for this year's costs, which I have lost.

Senator TUNNELL. That is about $125 an acre for that year?

Mr. FRASER. If we don't do that 1 year, we are out of luck.

Senator TUNNELL. That will be with apples at half-price?

Mr. FRASER. That will be full price for what we are apt to get.

Senator TUNNELL. You say they may drop from $4, to $2?

Mr. FRASER. I think so.

Senator TUNNELL. Then we will get more apples to eat.

Mr. FRASER. That is why the price will be down.

Senator TUNNELL. And we will eat more.

Mr. FRASER. And we hope you will.

Senator ELLENDER. At the cost of the farmer.

Mr. FRASER. Oh, certainly.

Senator TUNNELL. But you will still be making $125 an acre?

Mr. FRASER. We may have $125 to pay for the loss we took this year. I hope we do.

Senator TUNNELL. That will be $6,000 on 48 acres of apples.

Mr. FRASER. Well, we don't figure our profits until we see them.

Senator TUNNELL. But you are figuring losses before you get them.

Mr. FRASER. I am going to show $5,000 loss on it this year. It is a reality.

Senator TUNNELL. I should think you would if you don't have any apples.

Mr. FRASER. I should have 10,000 bushels. I spent 3 hours picking 2 bushels, so I will have two bushels.

But many of my friends will have none.

One of the orchards 72 years in the family of a friend—never had such a situation. This year they don't have enough for a pie.

Senator TUNNELL. I think that is pretty general. It is with us anyway.

Mr. FRASER. I have gone over some of the things which I would like to emphasize, Mr. Chairman.

Senator TUNNELL. You and I together have taken up pretty nearly an hour. Maybe it is my fault as much as yours.

Mr. FRASER. I am here to answer your questions, because I want to show you the reasonableness of our position.

Senator TUNNELL. I think you have made a good witness.

Mr. FRASER. We feel that fixing wages is fixing profits, and we don't believe that it is reasonable—to attempt to fix profits, because immediately you fix profits, you decide whether a man stays in business or not.

Senator TUNNELL. What wages do you pay now?

Mr. FRASER. Fifty cents an hour for ordinary help, men or women, and in the case of men on the farm I give them that, and a house, and wood, and what they get from the farm, telephone and heat.

Senator ELLENDER. As to those who don't live on the farm, do they get anything other than the 50 cents per hour?

Mr. FRASER. Sometimes. They sometimes take potatoes home, or a quart of milk.

Senator SMITH. You give them their midday meal when they are working there?

Mr. FRASER. We don't. Most of them work in the neighborhood where they live, but that wage is not typical of say the State of Washington. The typical wage scale there is about 80 cents, varying from 66 cents for packing, to 90 cents, because they have keen competition with shipyards and various things.

In addition, they are on a high-cost scale in getting their goods to market, because they have 80 cents a box rail charge movement to New York, including the protective service.

So when you see $3 a sale in New York, and these producers have $2.30 cost on each and every box, and you add 80 cents for movement to market, that is $3.10 to $3.20, without a dime for the return on investment. With present costs it takes 1943 prices to keep out of the red.

Senator TUNNELL. You would make too much if you had fine crops and fine prices every year. You would buy up the neighborhood.

Mr. FRASER. What good prices would do is to so stimulate production that you would be sure to have apples and plenty for the next decade.

Senator TUNNELL. Wouldn't it affect your profits if it got that way?

Mr. FRASER. We can't put an apple orchard into production under 10 years.

Senator TUNNELL. That is a long while. That is a strong deterrent for a man.

Mr. FRASER. I started planting apples, and I had to work and borrow and connive to get money to keep the trees growing. I started with nothing, and I worked hard. Then I grew one orchard. There are not enough trees available now to markedly increase acreage. I grow trees in a nursery. The trees are not available. The seed is not available, and we are just beginning to plant.

It takes 2 years to grow seedlings. Another year in the nursery to bud and grow the tree, and another 10 years more after planting in the orchard, to have profitable bearing, so you can't have big apple production in the United States for 12 years. It takes 2 years for the tree to make an apple, 1 year to make the fruit bud, the next year the flower and fruit, and in some varieties, which are biennial due to this, it means 15 sales in a 30-year period, if no crop is lost.

Senator TUNNELL. How long since you started? You said you started on nothing. How long ago was that?

Mr. FRASER. I came here with $42 in my pocket in 1900. Up to that time I had worked on a farm. I had never been paid over $5 a week.

Senator TUNNELL. That was in the old country?

Mr. FRASER. Yes.

Senator ELLENDER. Where was that? Where did you come from?

Mr. FRASER. I was born in England. My father was here in the War Between the States. He was in the United States Engineers and was President Lincoln's bodyguard at Fort Stedman. Later he was buying apples in this country in 1870, and 1871. I came over, and I stayed. Later I was at Cornell University. I went there teaching and in research.

Senator TUNNELL. How long have you been farming?

Mr. FRASER. Since I was 12 I have been working.

Senator TUNNELL. How long since you began farming?

Mr. FRASER. Since I was 12—fifty-some years ago.

Senator TUNNELL. You were not farming at Cornell, were you?

Mr. FRASER. I was running the university farm all the time I was there.

Senator TUNNELL. How long have you been running your own farm?

Mr. FRASER. Forty years, but I was operating farms for others prior to that.

Senator TUNNELL. You have a pretty nice plant, from what you say.

Mr. FRASER. I think, gentlemen, we have got to recognize the factor of wages in costs. They run all through.

If you get to the point where the marginal operator and the man just starting into business finds rising costs on his commodities, he is much more apt to try and get a job, and what we need today is the encouragement of the small man to go to work if we are ever going to build up and get anywhere.

Senator ELLENDER. Have you anything else to say, Mr. Fraser?

Mr. FRASER. I don't know whether I should go into the statement any further. It covers many of these things in a different way.

Senator ELLENDER. Does it cover what you have been talking about?

Mr. FRASER. Yes. The things I would like to emphasize are the amendments we desire.

We have, according to the last statement, probably some 50,000,000 jobs which will be classified.

The Department of Labor puts the farmers at 6,000,000 and the people employed by the farmer at 2,000,000, making 8,000,000, and they show 14,000,000 that come under the wage scale, more or less, because part of the agricultural owners may operate for a number of weeks at a canning or other plant. Actually, the number in agriculture is some 10,000,000 and there are many in the armed forces who have come back.

That leaves some 50,000,000 that may come under the wage scale.

I have indicated the proposed classification and how the Department of Labor is ready with the classification on 29,000 jobs on which they are going to classify the labor with the wage scale which is going to apply to it.

This book entitled "Definition of Titles of Classified Occupations," is prepared by the Job Analysis and Information Section of the United States Department of Labor. [Book handed to Senator Tunnell.]

There are 1,287 pages and 29,000 jobs classified, of which 7,000 are coded. It is going to be an interminable job for somebody, and the Government is going to pay that cost through the Department of Labor.

I don't know whether we are ready to embark on any such enterprise.

Senator ELLENDER. Mr. Fraser, isn't it true that these advisory committees provided for in the bill have the right to classify jobs in various industries, and they will also have something to say about the per-hour rate, based on what Congress fixes in this bill?

Mr. FRASER. But the industry committee can be fired by the Administrator if it doesn't suit him. He can get out of the industry committee whatever he wants, because he can put another committee in until he gets what he does want.

Senator ELLENDER. What effect would that have on the right of labor to bargain collectively?

Mr. FRASER. I have not thought that through, but there will not be much work for the labor unions if the Government is going to tell the worker where he is to go and the pay.

Senator ELLENDER. That is the point I wanted to raise.

Mr. FRASER. I have not thought through to what the outcome will be, but I can see in all of these cases the taking away from the individual of the right to accomplish his own work. I want to concede

that liberty is the right to think wrong and the right to act wrong, so long as it is not in conflict with the public economy, or the individual right. And I want to concede the right to labor to make some natural mistakes which, if they are left in a national economy can be rectified.

But when you write in a law that the Administrator cannot be brought to law on the reasonableness, then he can be as arbitrary for labor as he can for the employer, and I see danger in a policy of this type.

That is why I move to strike out that clause.

Senator SMITH. You mean that under the machinery that this law now provides, the Administrator technically can fix all wages because he controls the machinery?

Mr. FRASER. Certainly.

Senator SMITH. Is your request to strike that out of the bill entirely?

Mr. FRASER. Certainly. That is new. I would strike out section 2 (b), all of paragraph (2), lines 16 to 18.

Senator SMITH. Where do you recommend that? I want to mark that in my copy.

Mr. FRASER. On page 26, under "Amendments."

Senator ELLENDER. Do you discuss or criticize all of the amendments to the bill?

Mr. FRASER. Yes, sir.

Page 26, section 2 (b), lines 16 to 18. With that, of course, you will have to strike out sections 6 and 8, which are the mechanics of implementing section 2 (b), because if you were going to strike the purpose of that clause out, certainly with it would go the mechanics carried in sections 6 and 8.

Senator ELLENDER. Mr. Fraser, let me ask you this:

Suppose we were to leave all of the provisions of the wage and hour law as they now are, with the exception of the rate of pay, raising it from 40 to 50 cents, what objection if any would you then have to the bill?

Mr. FRASER. The objection would not be so violent if at the same time you make sure that the agricultural exemptions remain, or you clarify the area-of-production amendment as we indicate. Then I have no reason to say anything. I would think I would let labor come in of itself and make its own plea.

I want to make clear that I am presenting one view, and I hope I am reasonable. I am looking at it from the general economy, and the group for which I am working.

Senator TUNNELL. You would not object strenuously if we eliminate your line?

Mr. FRASER. I could not if you give the agricultural exemption because I think you would be taking a reasonable position. But I do think this definition of unskilled labor, if you leave agriculture under the law, will mean that there is no unskilled labor, for as long as a man has any training in doing the work, he is skilled, and even a weed remover would be in a skilled occupation. It is not 75 cents an hour; it is something more. You are not fixing 75 cents an hour.

To meet these provisions means to shift or attempt to shift a wage structure that I don't think any economy will maintain.

If it is put in the hands of one man with no court review over what he does, he can be arbitrary and capricious.

I believe in maintaining this free for economy——

Senator TUNNELL. For whom?

Mr. FRASER. For the economic adjustment to register.

Senator TUNNELL. You said you believed in keeping it free. I wondered if you had any particular class of people you want to make it free for.

Mr. FRASER. I said I want to maintain it free for a man to have the right to think wrong, so long as he does not do anything detrimental to the domestic economy, or infringe on the rights of another. I want to leave it free for him to make a mistake.

Senator TUNNELL. I believe he will.

Mr. FRASER. Newton Baker, at the 1924 convention made a strong plea for the League of Nations, and some gentleman of this body opposed him on the ground that it was not good policy at that time, and we look at things from a policy angle, but we know now he was right in principle, and it is the principle I would like to stand for, and I would like to stand for the principle that the administrator, the agents, and all should come under proper court review, and that we should not be tied to 60 days after an order is issued, when we don't know what is in it, or how it is going to work, as this act now provides.

Now, you have opened the bill for amendment, and we might as well get what we fought for from 1935 to 1938, and didn't get.

Senator TUNNELL. You opposed the whole thing then didn't you?

Mr. FRASER. No; I was trying to make it workable.

Senator TUNNELL. You opposed it as to agriculture, didn't you?

Mr. FRASER. I told them it was economically sound to leave it out.

Senator TUNNELL. You think it would be economically sound to leave everything out, don't you?

Mr. FRASER. It probably would.

Senator SMITH. I understand if you strike out these paragraphs on the bottom of page 26, to which you refer, which have to do with job classifications, and readjustment, of all wages, you would not feel so badly about our going along with the bill and fixing a minimum wage at whatever figure the economy would stand.

Mr. FRASER. I think you would be making an advance if you throw out that classification.

These sections that I have emphasized, section 2 (b), paragraph (2), and section 3, paragraph marked (n) and (o), on page 3, and then with these, you will need to strike out the language in section 8, which makes it enforceable——

Senator SMITH. I am getting at this: These sections which you are striking out have to do with the fixing of wages other than the minimum wage. You want to throw them all out?

Mr. FRASER. I would take them out.

Senator SMITH. And you would feel, as suggested by previous questions that unless you take those out, the collective bargaining power of labor will be drastically curtailed because there will be nothing left to bargain for?

Mr. FRASER. I think it is jeopardized to a degree where you would make it possible for that official to really put those men out of their freedom to act.

Senator SMITH. I gather it is your judgment that the working man is much better off when determining his wages by the collective bargaining principle which we all believe in?

Mr. FRASER. Yes, sir; that is the freedom I want.

Senator SMITH. And if he makes a mistake, that is his liberty?

Mr. FRASER. That is right.

Let me illustrate: When Stimson in 1931 asked us to help put out the fire in Manchuria, the British at the same time sent the Lytton Commission which put kerosene on the blaze. The public seemed to regard the $300,000,000 which we paid to Britain for rubber and tin as the problem of England, not ours.

When the conflagration became greater, and our own house was threatened, Stimson was brought in and made Secretary of War in order to try and put out the blaze.

A group of people will make a mistake like that, but they will rectify it in time.

Economic law always exacts the penalty from the violator. I think in this case the Congress will make a mistake economically, and it will rebound to their discredit, rather than to their honor.

Senator SMITH. I am very grateful to your, Mr. Fraser. I think you have made a very fine exposition of your philosophy.

Mr. FRASER. I don't want us to make an error. This 75 cents is going into effect when the tailspin starts, and it is going to magnify it more and more.

Senator SMITH. You don't favor a progressive increase year by year? If you start at 50 cents, you don't say to make it 55 next year and then 60?

Mr. FRASER. I would leave it free for labor to do its own adjusting, and I don't want sweatshop labor.

Senator ELLENDER. That was the purpose of the original act of 1938, to prevent sweatshop practices, but this goes far beyond. As a matter of fact, it is the most far-reaching piece of legislation I have considered since I have been in Congress.

Mr. FRASER. That is the reason I am here, but I do think if you keep the present law and accept our amendment on area of production and provide that these costs which a farmer maintains collectively—for instance, a group of men may not have washing facilities, which cost $5,000, so a group bunch together and have their washing and packing done, and immediately they are under this law, and I think all the costs borne by the fruit and vegetable packer, in preparing his commodity for market should be regarded as agricultural labor.

Senator ELLENDER. It is regarded as agricultural labor if the farmer himself does it on his own crop.

Mr. FRASER. But it is not economic today to so meet the food and drug laws and the marking laws for many producers.

We have built up such a mass of requirements on these commodities that the individual, unless he is a large operator, cannot begin to meet the requirements and costs, and so they bunch together. The costs are all paid by the grower and they are becoming an increasing amount and a charge against his commodity.

Senator Tunnell. At what level do you call wages sweatshop wages.

Mr. FRASER. I would rather leave that to the situation.

Senator TUNNELL. You expressed yourself as being opposed to sweatshop wages. As a matter of fact, it seems to me you are opposed to all standards of wages that are fixed by Government.

Mr. FRASER. A wage requirement for a man in New York City, and a wage requirement for a laborer at a country point, is not the same, for him to have an equal opportunity to live.

I would regard something which does not give the individual opportunity for the enjoyment of reasonable living standards as undesirable.

Senator TUNNELL. Do you think there are such situations now?

Mr. FRASER. Undoubtedly there are.

Senator TUNNELL. How would you reach them?

Mr. FRASER. Publicity, to a large degree, and allowing labor to exercise its bargaining power.

Senator TUNNELL. It has that right now, hasn't it?

Mr. FRASER. It has that.

Senator TUNNELL. And that has not cured it.

Mr. FRASER. You can't overcome these things overnight. They are a factor of life.

We have done a lot in our progression. We have moved a long way.

Let me illustrate what we have done on living conditions.

In 1900, the average expectancy of life of a white male child was 48.2 years. Today it is about 65. In 40 years we moved up 15½ years due to our advance in living conditions.

Senator TUNNELL. But what disturbs me is that they say you don't live to be any older.

Mr. FRASER. Well, you do.

Senator TUNNELL. No; that is the other fellow.

Mr. FRASER. Take India, where you have starvation conditions, and the average expectancy of life of a male child is 27.

Senator ELLENDER. Today?

Mr. FRASER. Today, so I am not ready to say that we have not moved our standard of living up.

Senator SMITH. We know we have.

Mr. FRASER. We know we have.

Senator TUNNELL. It is principally with the children, isn't it?

Mr. FRASER. Oh, no.

Senator TUNNELL. Oh, yes. No question about that.

Mr. FRASER. You take Dublin's statement—and he is probably the best authority we have—and you have a lot more old folks cluttering the wheels of time and we are forced to specialize on old-age diseases.

Senator TUNNELL. And you have a good many more young folks in the world than you had before.

Mr. FRASER. And we need them.

Senator TUNNELL. The population has increased in 200 years from 800,000,000 to over 2,000,000,000, and it is largely an increase in the number of children who live.

Mr. FRASER. Still we are keeping the old folks.

Senator TUNNELL. They tell me Methuselah lived over 900 years, but I can't reach it.

Senator ELLENDER. Time was not being measured in years when Methuselah lived. It must have been measured by the rapidity at which tasks were accomplished.

Mr. FRASER. You are very youthful in approach, no matter what the years may be.

Senator TUNNELL. Thank you very much.

Mr. FRASER. I now have my table No. 1. May I file it now, please?

Senator TUNNELL. That may be done, and I think it would be well to insert at the same time your complete written statement.

(Table 1 referred to is as follows:)

TABLE 1.—*Employment, prices, and income, United States, average 1935–39, 1943, and estimates for 1950 under assumed conditions*

Item	Unit or base	Average 1935–39	1943	1950 [1]		
				Full employment	Intermediate employment	Serious depression
Total labor force	Million	53.8	62.6	60.0	60.0	60.0
Armed forces	do	.3	9.1	2.0	2.0	2.0
Total unemployment	do	10.2	1.1	2.0	7.0	17.0
Total civilian employment	do	43.3	52.4	56.0	51.0	41.0
Total agricultural employment	do	9.3	8.3	8.0	8.5	9.0
Total nonagricultural employment	do	34.0	44.1	48.0	42.5	32.0
Gross national product	Billion dollars	81.9	187.8	188.0	130.0	76.5
National income	do	65.4	149.4	150.0	105.0	57.5
Wholesale prices, all commodities, index	1926	81.0	103.0	103.0	87.0	66.0
Cash income from farm marketings	Billion dollars	8.0	19.2	17.0	12.5	6.5
Net income of farm operators	do	4.2	11.4	9.3	6.5	3.0
Prices received by farmers, index	August 1909–July 1914	107.0	193.0	165.0	125.0	75.0
Prices paid, interest, and taxes, index	do	128.0	162.0	165.0	140.0	120.0
Parity ratio (prices received vs. prices paid)	do	64.0	119.0	100.0	89.0	62.9
Food consumption, per capita, index	1935–39	100.0	106.0	118.0	110.0	100.0
Agricultural production, index	do	100.0	129.0	[2] 135.0	[2] 125.0	[2] 115.0

[1] The number of employed or unemployed is not the only factor that distinguishes any one set of conditions from the other 2 assumed for 1950. The general price level and productivity per worker change also. The full employment estimates assume a minimum frictional unemployment of 2,000,000 persons, continuation of trends in productivity per worker, and a general price level equivalent to that of 1943, with prices received by farmers adjusted to their usual relation with the general price level during 1921–41. The intermediate situation assumes per capita income and prices generally at about the level of 1941. Serious depressions assumes an income level somewhat above 1932, but below 1935–39 and prices generally about equal to the average of 1932 and 1933, but since both the labor force and productivity per worker are increasing, unemployment under this situation would be even greater than in 1932 and 1933. Population in 1950 is estimated at 144,000,000. All three estimates assume 2,000,000 workers in the armed forces.

[2] Production consumers would buy (and farm families would use) at the prices assumed.

(The complete statement of Mr. Samuel Fraser is as follows:)

STATEMENT PRESENTED BY SAMUEL FRASER, SECRETARY, INTERNATIONAL APPLE ASSOCIATION, ROCHESTER, N. Y., WITH REGARD TO THE POSITION OF FRESH FRUITS AND VEGETABLES IN OUR ECONOMY

Representation

The International Apple Association is a nonprofit membership organization of growers, shippers, and distributors. Its membership is located in all the important producing sections and distributing markets of the United States. It is composed of the leading apple and pear growers and shipping organizations, individual shippers and firms, apple and pear cooperative associations, wholesale dealers, distributors, exporters, and our members interested in other lines of our industry. In addition, its membership extends to many foreign countries, including Canada, the United Kingdom, continental Europe, South America, and Australasia. The association is representative of the apple and pear industries of the United States.

The International Apple Association is now in its fifty-second year.

In approaching this problem, I appreciate that it possesses many facets, and it is my hope to present certain aspects illustrative of the possible and probable effects of this bill, if enacted, upon the matter of food and the food supply.

FOOD IS THE MOST IMPORTANT THING IN THE WORLD

Without food, wages and money have neither worth nor use.

Food is the foundation of our national health, wealth, and happiness. It is one thing that none of us can do without. Today the world needs food, and it must be cheap, if people are to share it and have it abundantly; and, in addition, the producers—the farmers, of whom I am one—must make a profit on its production, if we are to live, to continue in the business of production, and to buy any of the things which are so often heralded as essential in and for the American standard of living.

FRUITS AND VEGETABLES ARE PROTECTIVE FOODS AND HAVE VALUES MORE THAN AS A FOOD

Some foods have greater value than others. Fresh fruits and vegetables are spoken of by dietitians as protective foods, because they have a role in the activities of our body other than that of merely supplying heat and energy, which they also furnish. They carry into the body chemicals which have the power to neutralize body poisons and so maintain an increased and higher standard of health and body activity.

Because I am a grower of apples and other fruits, and because of my contact with the apple and pear industries, I will use certain features of the apple, its production and handling, to illustrate certain points.

The pectin in the apple is a powerful detoxicating agent. It is used in the wound paste furnished and used so extensively during the war, and its effect has been so marvelous that we are again forcefully reminded that some of the articles we eat are more than a food.

Pulped apple has long been recognized in Europe and here as having power to destroy the poisons thrown into the body when attacked by such diseases as dysentery, certain types of pneumonia, etc. In the case of injection of pulped apple into a rabbit along with a lethal injection of diphtheria germs, the apple pulp destroys the germs, and the animal shows no ill effect.

Thousands of babies dying with intestinal malnutrition have been saved by the use of dried apple powder fed in the milk.

The old saying that an apple a day keeps the doctor away is well founded.

The eating of applesauce with pork is sound, because the apple speeds up the digestion of the pork in the alimentary canal, just as it speeds up the digestion of milk when fed to a baby, and we have a comfortable feeling of a good meal and no indigestion; and in the case of the baby, it shows the value of its diet in the gains it makes.

FRUITS AND VEGETABLES INCREASE HEALTH, VIGOR, AND LENGTHEN LIFE

The addition of fruits and vegetables to the American diet during the years of this century have made this country what it is. The use of fresh fruits and vegetables has gained fourfold in 50 years, and in that same time the expectancy of life of a male child (white) has increased one-third—15½ years—or from 48.2 years, the prospective life in 1900, to 64.5 years in 1943. The prospective life of a male child in India today is less than 27 years. Famine, the lack of adequate and proper diet, reduced the population of Ireland from 10 millions in 1750 to about 4½ millions today. Abundance or lack of food determines the progress or decline of nations; and we, as a people, are one of the best illustrations of a good dietary. How has it been achieved?

Shall we retain our position? The hope of reward, the profit motive, brought us to this world-leading position. Shall we lightly discard it?

INTENTIONAL SECOND EXPOSURE

(Table 1 referred to is as follows:)

TABLE 1.—*Employment, prices, and income, United States, average 1935–39, 1943, and estimates for 1950 under assumed conditions*

Item	Unit or base	Average 1935–39	1943	1950 [1]		
				Full employment	Intermediate employment	Serious depression
Total labor force	Million	53.8	62.6	60.0	60.0	60.0
Armed forces	do	.3	9.1	2.0	2.0	2.0
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HAND LABOR ESSENTIAL FOR FRUITS AND VEGETABLE PRODUCTION AND HANDLING

Mechanized production has made headway in the production of certain crops, as in the production of rice, sown broadcast, flooded, and harvested by a combine. Attempts are made to use mechanical pickers for cotton, and the end is not yet.

In the case of apples, pears, citrus fruits, berries, we have not been able to produce a mechanical harvester suitable for taking these fruits from the tree or plant, and the harvesting continues to be performed by hand. The fruits may be easily bruised and ruined if roughly handled. This is also true of vegetables, to a lesser or greater degree. It is true when preparing them for market and packing. A large amount of manual labor is essential. Furthermore, the time in which a crop is fit for harvest is limited. The time for picking peaches may be 1, 2, or 3 days; it may be 5 or 7 days for certain apples or pears. The number of people who may be available at a country point may be limited, and the time in which there is opportunity to save the crop is short; the way out is to work an essential number of hours to save the food.

It takes about as much help to prepare apples for market as to harvest them; and if shipments are to be made daily as they are harvested, the work crew is doubled. Naturally, the same rate of wages must be paid for harvesting as for packing, or vice versa, if both are to progress.

This bill proposes to split these operations for wage standards. No fixed wage need be paid for harvesting, but fixed wages of 65, 70 or 75 cents an hour must be paid for packing, with not less than time and a half for each and every hour worked in a week in excess of 40 hours, save for the 14 weeks' seasonal exemption—of which more later.

When the weather is not favorable, as frequently is the case—there is a wet day, and it is planned for—then all help may harvest, and later all of it be used to assist in packing.

It may be too wet to pick in a morning, and all may work packing, and then later all go out to pick. This is the economical use of the available labor.

PREPARATION FOR MARKET

Before an apple can be packed, it may have to be washed to remove spray residue and bring it into conformity with the regulations issued by the Food and Drug Administrator. It must be packed in a container properly stamped as to its volume to meet the provisions imposed by the Bureau of Standards.

The apples must be graded and sized, wrapped, and packed to meet the requirements of the State or Federal standards of the United States Department of Agriculture. The containers must be properly filled to meet the requirements of "fill of container" under the Food, Drug, and Cosmetic Act. The containers, their filling, the preparation of the commodity for market, the packing, and sizing are all under laws with serious penalties for infractions or failures to perform. The sale of the commodity after it is prepared for sale is handled under the standard terms of contract; and the buyer and/or seller, other than the grower, handling the apples in interstate commerce must have a Federal license and is subject to the provisions of the Perishable Agricultural Commodities Act.

We have regulations galore, and now it is proposed to add more, and all the costs incurred in meeting these requirements must be paid by the grower; they are taken out of the sales returns.

The real income of the Nation is in the goods produced and services rendered, not in the dollars price put on labor.

INEVITABLE ADJUSTMENTS

We appreciate that we are faced with a reduction in the take-home weekly wage, due to the loss of overtime in the case of many workers.

Employers are losing the best market in history—the United States Government buying in a war-inflated market. This is no standard to tie to.

We are told that if we can boost prices at will, we can increase wages, and then we will soon have postwar inflation and the inevitable collapse; and the higher we go, the greater the fall. Real wages would drop; a few might gain, most would lose.

Moulton and Schlotterbeck, of the Brookings Institution, in their recent study entitled "Should Price Control Be Retained?" conclude:

"Beyond the setting of initial prices for products whose manufacture was suspended during the war, the continuation of price control is impracticable.

"War experience in this and other countries has demonstrated that the control of wage rates, the most important element in costs, is indispensable to price stabilization."

If we embark on a policy of minimum wages, are we prepared to fix minimum prices for commodities produced? We cannot have one without the other.

The soft-coal industry is a case in point. We have fixed prices for product and labor, and we are in chaos. Is this our goal? The end of the policy proposed will be all working for the Government and all fed from a very much curtailed supply, nothing like that we now have.

The policy was tried here 300 years ago, and 90 percent of those in the experiment died of starvation in a decade and in a land of plenty such as we have.

The position of the soft-coal industry today further emphasizes that the end result of this policy is a fiasco.

Supplies of bituminous coal are now so short that at a time when reconversion should be under active progression, very limited quantities are available; in fact, supplies are so short for the next few months that industries and districts dependent on this fuel must curtail activities; and the only way to achieve the business activity which will justify the retention of high wages is free enterprise and not governmental management, as illustrated in this coal field.

Premier Lloyd George, in his successful campaign for reelection, following World War I, in his advice to labor, stated:

"You cannot have improved wages and improved conditions of labor all round unless you manage to increase production. * * * There is one condition for the success of all efforts to increase the output of this country—confidence. * * * You must give confidence to all classes, confidence to those who have brains, to those who have capital, and to those with hearts and hands to work. I say to labor, you shall have justice; you shall have fair treatment, a fair share of the amenities of life, and your children shall have equal opportunities with the children of the rich. To capital I say: You shall not be plundered or penalized; do your duty by those who work for you, and the future is free for all the enterprise or audacity you can give us. * * * And when the whole nation sees that wealth lies in production, that production can be enormously increased, with higher wages and shorter hours, and when the classes feel confidence in each other, and trust each other, there will be abundance to requite the toil and to gladden the hearts of all. We can change the whole face of existence."

Our present standard of living has been achieved by a long history of free enterprise, not by State planning or control.

FACTORY WAGES AND FARM SALES

In 1929 factory wages were about $11,000,000,000. Farm sales were about $11,000,000,000.

In 1932 factory wages were about $5,000,000,000. Farm sales were about $5,000,000,000.

Incidentally, most farm sales are made at wholesale prices, farm purchases at retail prices.

If the worker does not have the money, the farmer cannot get it.

The farmer is concerned with the wage problem. He desires a good wage scale in effect. We want it. We are not opposed to high wages. The best incentive to an increased wage is the profit in the business. The profit motive has made us.

In World War I New York factory wages rose 70 percent from 1917 to 1920.

In World War II they rose 70 percent from 1939 to 1943.

The 1921 depression brought about 11-percent reduction in average weekly wages in 1922.

The present attempt of labor to retain the same pay for less hours will work out to about 11 percent. The aim of labor is to seek in some way to avoid meeting an inevitable adjustment which is coming on all of us.

Following World War I some 3,630 strikes involved more than 4,000,000 workers, and the protracted idleness in industry wasted the accumulated savings of labor which had been counted on to furnish a market.

Shall we now repeat and so use the $100,000,000,000 said to be on hand?

To meet the situation this time, labor proposes that when an essential striking 20,000 throw 200,000 out of employment, this latter group of unemployed shall be maintained from the public purse at $25 a week for 26 weeks, reserving the union funds exclusively for the 20,000 out on strike. This would not dissipate union funds so rapidly.

National Income

The national per capita income shows a trend. There are plenty of tables showing the actual rise in wages through the years with regard to specific industries. No country shows so marked an increase in dollar wages and in the volume of physical production. The two rise and fall according to circumstances.

In 1850 the daily per capita income was 26 cents; in 1870 it was 48 cents. Following World War I, the decade 1919–29, it was $1.67; in 1944 it was $3.06. Many would like to stabilize at this figure. (See table II.)

In the 4 years 1929 to 1932, the United States per capita income declined over 50 percent. Will this repeat?

Since 1932 the policy of the United States has been to increase the per capita annual income by a policy of mortgaging our estate and our future. This policy antedates the war period; war accentuated it.

Between 1932 and 1941, per capita income rose from $320 a year to $696, or from 88 cents a day to $1.90, or 117.5 percent, on a program of deficit spending which has now gone on for over 12 years.

Some thought we might halt the upward trend in 1941, but the plans to halt were not effective, and 1942 shows an increase to $862, or an increase over 1941 of 23.8 percent.

By 1944 the annual per capita income rose to $1,117, or an increase over 1942 of 29.6 percent and an increase over 1941 of 60.5 percent, and today, 1945, with the income flattening out under the readjustment, we find that each and every one of us owes an average debt of approximately $2,000, or double our prospective annual take-home pay, and the collateral for the debt is some badly damaged property and people. I am not raising the question as to whether that which we fought for was not worth all we paid. It was; liberty is priceless. The policy was introduced prior to war.

The debt is a reality, and we are a practical people. It may be three times our annual take-home pay, and it is now proposed that by kiting the pay roll regardless of economic law, we will somehow manage to live with the indebtedness for our period of time on earth.

Is this the height of achievement of our statesmanship? Is it not time to follow the advice at the railroad crossing, "Stop, look, and listen"? or ecomonic law, which no man ever breaks, but which when violated always breaks the violator, will catch up with us, and we will inevitably pay for each and every violation.

We have demonstrated that an abundant supply of money reduces the value per unit. We made money abundant, and its unit value has declined. Articles in short supply called for more money to buy them. In other words, prices of commodities rose.

If this is sound logic, then the way to reduce prices of goods is to increase the supply.

The way to reduce the cost of living, if that is so desirable, is to make it easy to produce the needed commodities. Costs, which include wages, must be in adjustment to sale prices, if production is to be maintained, much less stimulated. Will the enactment of this legislation stimulate production of goods? We believe it will not.

The measure to apply against each and every proposal is, Does it violate economic law? If so, reject it. Does it agree with economic law? If so, apply it, and you will be called statesmen, because it will succeed.

Newton D. Baker, in his long-to-be-remembered plea for the League of Nations plank at the 1924 Democratic National Convention, was advised by certain members of this body that the policy of the League was unpopular. His indignant reply was: "My God men! You are talking about expediency; I am discussing a principle." The decision you make now is on "all fours" with that. His vision was sound. We now know.

Procrastination with regard to making an inevitable turn round is truly a thief of time. We cannot go another 12 years on the same policy as the past without ghastly penalties.

FIXING WAGES IS FIXING PROFITS AND IS ECONOMICALLY UNSOUND

This policy is particularly inapplicable to fruits and vegetables.

Wages inextricably determine costs of production and prices.

We cannot have wage increases without price increases. President Truman's Executive order of August 18, while sounding like a good formula, is economically unworkable. His proposal was to allow wage increases which did not necessitate price increases.

The only way to handle so complex a problem is by allowing a free market economy to register.

An increase in wages, unless accompanied by an increase in productivity, means an increase in cost.

Increased costs must either be passed on by price increases or absorbed out of profits.

Giving a governmental agency the power to fix profits is an arbitrary power and carries with it the power to settle whether the firm or industry shall live, grow, or die.

The proposal in the oil industry is to grant 15-percent increase in wages and 5-percent increase in the price of oil to compensate on the basis that labor cost represents one-third of production cost. This 5-percent increase in price will never meet the increased cost resulting from 15-percent mark-up in wages. The whole reasoning in matters of this nature is fallacious, because so many vital factors are not brought into view and the public is not informed.

Let us point out one or two factors which we deem necessitate consideration:

1. Will the price increase not affect the volume of sales? We know that at some point sales resistance will be felt and substitutes will compete.

2. The oil workers are among the highest paid in industry, and if they get the increase in wages it will be the incentive for all to follow the lead.

3. The 15-percent increase will cause a rise in price in raw materials, transportation, and supply costs, which in manufactures are about 37 percent of all production costs. This would lead to continual additional increase in oil prices beyond the original 5 percent.

4. Producers under the proposal would receive the same dollar margin of profit as before, but this dollar will buy less and less as prices rise.

5. Rising costs forced by unsound legislation, unworkable because in conflict with economic law, will cause small producers and marginal operators to drop out and try to secure salaried jobs on somebody else's pay roll.

6. The whole proposal will discourage business expansion and bring unemployment.

This not only greatly concerns agriculture as we have shown but is of concern to all.

Meanwhile the whole trend seems to be to avoid taking the one essential step, to wit, the return to a free market economy as expeditiously as possible which we request.

Controls were adopted for war reasons. Price control was one. It has no place in peace. The present attempt to increase wages and at the same time control or reduce prices would lead one to believe there is something lacking in clarity of vision, for if carried through there is nothing but increasing economic disruption.

As President Roosevelt emphasized in his last address which he did not live to give, "We have learned, and paid an awful price to learn, that living and working together can be done in one way only—under law."

We ask the question: Have we learned? Law means economic law, universal and natural law, which no man violates with impunity.

So far as fresh fruits and vegetables are concerned we know that costs are not considered in determining the price at which they are sold. They are perishable. If not sold promptly they may be lost. They are not coal or oil or bricks. They are living things which die. They have a life.

The demands and supply of the particular fruit or vegetable plus the supply of competitive items, of which there are several hundred, enter into the determination of the price the consumer will pay. We cannot pass costs on.

All these proposals have no place in the handling of fruits and vegetables at any stage.

The retailer is now exempt from the law, the producer is exempt to the extent of the definition of agriculture, which carries limitations. All service agencies between these two ends, such as the services of handling, preparation for market, packing, storing, etc., all paid for by the farmer, when performed by a group of farmers collectively, or by a hired agency, under this proposed legislation, are not exempt, save for one minor exemption. These charges are paid by the farmer and should carry the farm exemption because they are agriculture. The crop has no value until placed in the hands of the consumer in fit condition to use.

The United States Department of Agriculture, Bureau of Agricultural Economics, have worked out the division of the national income by farm groups and nonfarm groups. It is shown in table III.

For the years 1910–14, the so-called base for parity, the daily income of persons "on farms" averaged 37 cents, that of persons "not on farms" $1.33. The parity

relation which it is sought to establish as a proper basis is that when the person "on the farm" gets $1, the person "not on the farm" should have $3.59. Items used by the farmer, from the farm, rent, etc., are all included in the dollar income shown.

For the decade 1919–29 the "on farm" group received 58 cents per day; those "not on farms" received $2.20, a relationship of $1 to $3.79. Government payments to agriculture came in during 1933 and, with these payments added, persons "on farms" in 1933 received an average of 26 cents a day; those "not on farms" received $1.14. For each dollar the person "on the farm" received, the person "not on the farm" received $4.38.

In 1944, with Government payments, those "on farms" received $1.46 per day, while those "not on farms" received $3.61, a relationship of 1 to 2.47. Now it is proposed that those receiving $1.46 a day shall out of their funds pay an additional sum of money to the other group to raise their standard of living or divide the present $1.46 in some other way among their own group.

Agriculture is an essential minority in the United States. We regard it as statesmanship that the majority safeguard the well being of an essential minority.

The Volume of Physical Production, Especially of Food

War checks, when it does not stop, our production for industrial use.

We recognize the upward trend of the volume of physical production and the rise of wages with it. The total basic production (all commodities) per capita rose from 1839–1914 at a progressive change of 1.73 points upward per capita per year. In the same period production of food and feed failed to keep up any such increase, from 1839–1900 the gain was 0.86 points per capita per year. Then came a marked change and the period 1901–14 shows a decline in food and feed of 0.2 point per capita per year. In 1915–19 (war) the decline was 1.82 points. For 1920–29 it was 1.05 points

Taking the near view—from 1915–29—the progressive change for all commodities was 0.64 point upward per capita per year, while in that period food and feed crops declined 0.29 point per capita per year when adjusted for the change in farm motor power from horses and mules to gas. The actual decline was 0.86 point. It is true that total production showed an increase but on a per capita basis the decline was one we cannot neglect. The way we met it is known, viz, by importing food, and after the experience of the war years, 1939–45, we can see the serious position in which England found herself when dependent on imported food to keep herself going.

The data for the war years is not available other than tentatively; weather was favorable; the curtailment of people on farms and mechanization turned the scale and the per capita production of food was reversed from a minus to a plus and for the 5 years 1940–45 the index shows an upturn. The trend for all commodities is not available.

Economic Advances in Apple Production

The activities in the life of plants are being studied. The same laws govern in plants as in the activities of man. Natural laws control. Among the advances made in production is the ascertaining of the isotherm to which varieties of apples are adapted and the charting of same. The isotherm is based on the normal available heat units in the growing season. It is not a constant, but there are normals.

The plant is a water-cooled motor driven by heat, just the same as the body of a man. Each variety has its particular heat requirement essential for it to mature its fruit. Some mature in 90, 120, or 160 days after bloom. If the heat units essential are not available, then a variety may fail to mature and its production is not commercial where this happens too often. Planting in a proper location is one way of increasing yields without increasing costs. This is but one illustration to show a trend. In the hands of men who know how to make the tree work, the average production per tree has been increasing in recent years. Weather governs. If not favorable, there may be no crop. This is the case today over much of the Central and Eastern States, in which the crop is one of the shortest on record—the smallest in many years.

Relation of Price of Apples to Per Capita Income

In table II, we show the relationship of the average per capita income to the price of certain varieties of apples for the period of 70 years.

Short crops and heavy yields register. Large supplies of competitive crops also effect prices. Housewives are discriminating buyers and they set the price.

The grower does not know what a crop is worth until it is placed on the market. Costs of production do not enter the mind of the public when they determine the price they will pay.

The commodities we are considering are perishable. If not sold quickly, they may return nothing, they become unsalable. We have referred to the soft coal position, where costs and prices are supposed to work in relationship. A ton of coal may be sold today or in 90 or 120 or more days. This is not true of fresh fruits and vegetables. In comparing coal and apples, we are not comparing likes. Fresh fruits and vegetables need, and in previous legislation have received, consideration, not always adequate to their needs, but the proposal now to abandon even the consideration formerly given is a step in the wrong direction for the best interest of our national economy.

That people will pay more for one variety than another is seen. Take the 5-year averages 1926–30, Baldwin, $1.51 per bushel; R. I. Greening, $1.63; Spy, $1.85; McIntosh, $2.13; Delicious, western box, $3.02; Winesap, $2.59; all being wholesale prices at New York City with an average daily per capita income of $1.76.

An early relationship was that 2 days' income was exchangeable for a bushel of apples, using New York prices. At times it has taken 1½ days and at other times 1 day's income, which illustrates the swing. A bushel of apples per capita is somewhat in excess of the present average annual consumption in all forms.

New York market prices in recent years have been no better and often have been lower than f. o. b. prices. The competitive position of other crops comes into operation. This but proves the point made that prices are fixed by the buyer—the demand and supply. Increased costs in production, preparation for market, freight to market, or selling are paid by the grower. These cannot be passed on to the consumer.

Because of this fact agricultural labor has been left out of all attempts to fix a minimum wage. Also costs borne by the producer in preparing his product for market and in marketing received consideration. These are paid by the grower. We urge the retention of this approach and, if this bill is to be considered, we ask the insertion of amendments safeguarding all of these activities, on the ground that it is sound legislation to so handle these problems.

The Factor of Wages in Costs

Manufacturers show that in their costs the wages represent about 25 percent of their production values. Raw materials take a higher percentage, averaging about 37 percent. Using census year data, the percentage taken for wages was 23.2 percent in the years 1933, 1935, 1939. It was 27.5 percent in 1923. Using the census years from 1919–39, the high was 18 percent over the 3 low years. The low period of 1933 shows the toll taken from wages by the depression.

WENATCHEE, WASH., APPLES

In the case of certain groups of apple orchards in this important producing district, labor costs in 1914 were 38 percent of production costs, materials 22 percent, fixed costs 40 percent.

In 1943 labor costs in the same area constituted 56 percent of all production costs.

The records of cost studies for 1939 to 1943 show:

	1939	1940	1941	1942	1943
Growing and harvesting, per box	$0.50	$0.50	$0.86	$1.00	$1.36
Above costs adjusted for average yield	.52	.52	.68	.93	1.325
Labor costs, per box	.26	.26	.40	.57	.89
Packing cost, per box	.375	.375	.475	.60	.69
Storage cost, per box	.115	.115	.135	.16	.18
Total cost preparing box apples for market	1.11	1.11	1.39	1.79	2.32
Hours of labor, per box, including harvesting	1.00	1.00	1.08	1.12	1.19

In 1939 many groups report average sale price for the season of $1.055 per box. Costs shown are $1.11. Yield affects cost per box.

Packing labor cost.—A test run made at Yakima, Wash., the first week of October 1945 for this record shows: 14,805 packed boxes of Delicious and Jonathan required 4,791 hours of labor for packing, or 324 hours per 1,000 boxes. Average hourly rate for 102 employees in test was 79.1 cents. Winesap or other

smaller apples will increase costs 5 to 10 percent. The labor cost is 26 cents and to this must be added the box, wraps, etc., to get total cost of packing.

Storage labor cost.—The boxes after packing must be labeled, held in storage and loaded for shipment. Total cost is 23 cents, of which 13 cents is for labor.

LABOR COSTS IN NEW YORK, APPLES

Labor costs based on many studies show an average, for 1918–23, of 37.4 percent of all production costs. In 1927 they show 37.6 percent.

Hours per acre and yield per acre are lower than in Washington and there is no irrigation practiced.

Average hours to grow, pick, pack, and haul per acre, on 129 farms, for 30 years, orchards located on the best apple soil in western New York, show 140 hours per acre labor charge.

	Hours	Percentage	
Growing to harvest	50	35.8	
Harvesting	38	27.1	64.2
Packing	38	27.1	
Hauling and miscellaneous	14	10.0	
Total	140	100.0	

If wages for packing are fixed, it affects 64.2 percent of the labor involved in production definitely, for harvesters will have to be paid the same rate as packers.

With the record of prices at which apples are sold at wholesale in New York before us, with a present freight charge from Washington State to New York with protective service of 80 cents per box, and selling charges at present fixed by OPA, it is obvious that producers and all concerned, including consumers, must appreciate that no policy of fixed wages can be put on this industry at this time, and that the only way to handle it is to provide for complete exemption of all price fixing of labor for the handling, grading, packing, preparing for market, storing, loading on cars, or delivery to market of fresh fruits and vegetables. We place the amendment to section 13 later.

THE 7 (C) AND 7 (B) (3) SEASONAL EXEMPTIONS

Both of these give 14 weeks and are essential. Congress so found them.

The proposed bill retains the 7 (b) (3) seasonal exemption.

The 7 (c) paragraph is stricken. It must be reinstated.

For example.—At present a packing plant servicing growers receives a succession of fruits to be packed for growers because they are not equipped to properly prepare for market or other reasons.

Some of these are paying 50 cents an hour and work 60 hours a week.

The account now shows 60 hours at 50 cents equals $30. If 75 cents is made mandatory, it does not mean an increase of 50 percent, but of 75 percent on a 60-hour week. The first 40 hours are at 75 cents an hour, or $30, the next 20 hours are at time and one-half, or $1.12½ an hour, or a total of $22.50, and the pay for the 60 hours totals $52.50, or an average per hour of 87.4 cents an hour.

If the packing time and harvest-time average 45 minutes to the box of apples, then the cost is 37½ cents in one case and almost 66 cents in the latter. The difference in this one item is 28½ cents a box, and with a yield of 400 boxes to the acre it means $114 an acre.

In most years this is a very high profit and in many years it will not be attained.

Half of the United States crop of apples is usually grown east of the Mississippi, sometimes 60 percent is so located. Yields may average 150 or 200 bushels to the acre. The gross returns may be made on sales at $1 to $2 per bushel. The number of minutes per bushel for packing and harvesting may remain about the same and, under such conditions and with prices commonly met with, a forced increase of 28½ cents in labor for one item becomes arbitrary. Those conversant with the situation realize at once the folly of legislation proposing such a policy.

EXPORTS

The apple is the leading export fruit. In 1930 and prior years, in excess of 20,000,000 bushels were exported, or 20 percent of the amount sold in fresh fruit channels. This has a marked stabilizing effect on the domestic market and the greater base in production provides an ample domestic supply in short-crop years. Export markets are competitive. Arbitrarily pyramiding costs may offset or destroy any other natural advantages we may have. Preparing for export, packing for export, handling for export are all essentials. Varieties and certain producing areas have advantages in the export market because of favorable factors as soils, climate, temperature, etc. Handicapping this phase of the industry may have serious consequences. Fixing United States costs by law, when competing producing areas in other countries are left free, is, to say the least, unwise and should not be attempted. Canada, Australia, New Zealand, South Africa, Argentina, Chile, Europe at one time or another compete with us for markets.

IMPORTS

Shortages in food supplies may be met by imports and increasing quantities of food are being imported. All foods are competitive to a degree in their demand on the consumer's dollar. Competing fruits brought from low-cost producing areas may depress the domestic price of all fruits, and the more we stimulate the supplying of our markets by products of other lands, the keener the competition may be. Duties on most fruits entering the United States are low. Many other countries maintain relatively high duties on our fruits, in some cases prohibitive. Consideration of the effect of increasing costs on our fruits is of paramount importance.

COMMENTS ON S. 1349

We desire to make the following comments on the bill S. 1349.

Section 2 is amended by paragraph (b) (2) "to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industries."

We can visualize the army of jobs which this will create in the Labor Department, once the possibilities have been properly refined. With some 60,000,000 or even 50,000,000 workers to be classified by jobs and their particular job and the wage which is to apply to each, and with our knowledge of the procedure and the interminable provisions of the hearings, and one could with fairness say absolute waste of time, energy, and effort, we can conceive of no more fertile field for political jobs than this job classification of labor and wages.

It will never be done; in fact, if it follows the historic procedure, it will never be in anything but a maze of uncertainty and harassment to all who attempt to meet the requirements, and we forecast a continuing and continuous series of cases going to court to determine the points which will arise. Of all means devised for burdening commerce and those attempting to engage therein we believe this is the concept supreme to date.

It is the manifestation of labor's attempt to use the Government to force a percentage of unfit onto the pay roll at what they deem a living wage.

The policy of grading labor and fixing the price which must be paid, or the employer must go to jail or be fined $10,000, is so fantastic as to be unbelievable and the surprise is that it should be even considered.

This whole proposal and the amendment to section 8 making it effective should be stricken, if the bill is to be considered.

With every reason for employers being given some assurance that their efforts at this time will receive support and consideration from both labor and Government, the possibility of a suit for an infraction of one of the classifications set up and that such suit may be brought by any former employee or agent on behalf of another, any time in 5 years and for liquidating damages in addition, plus costs, means that insurance must be set up to handle such cases. Certainly 1 year is ample for the statute of limitations and in which to hold a pay-roll record open to determine the hours worked, the overtime and amount paid, and we would so provide.

If it is contemplated that the litigation in determining the classifications and pay may need to go to the Supreme Court and the 5 years is provided for this purpose, then there is the more reason for dropping the whole bill now, for we can conceive of no better way to burden commerce and the free flow of goods in commerce than to create these mazes of uncertainty. These proposals lack the merit of reason, they are unreasonable. They do not belong in America. Let me personally ask each one here whether, with this set-up, you will find yourself encouraged to resume business and, further, if we do not quickly resume business activity, the tail spin of 1932, revocation of debts and vast unemployment is the only alternative. Deficit spending with our present indebtedness is recognized by you gentlemen as impossible unless taxes can be raised to meet such expenditures.

Section 8 covers the industry committees and their activities.

The industry committees investigate, hear witnesses, receive evidence, classify employees, subdivide industry employees into groups, and determine suitable minimum wage scales, etc.

1. Provide the unskilled job classifications in each industry.
2. Provide for the maintenance of reasonable wage differentials between interrelated job classifications.

(NOTE.—A never-ending performance.)

3. Recommend the minimum rate or rates of wages to be paid.

(NOTE.—Whatever rates are provided, these will become minimum wages, because the unions in order to justify their existence, will have to secure higher wages than those set out.)

4. The committee investigates conditions, receives such evidence as may be necessary or appropriate.

(NOTE.—The committee settles this question as to what is appropriate to receive and there is no court review of its actions, if not made within 60 days after the order is filed and then court review is limited to questions of law.)

5. The committee recommends the highest minimum wage rate for the industry and for its subdivisions, with not over 75 cents maximum per hour for unskilled labor.

(NOTE.—Unskilled labor is defined in sec. 3 (o) as "labor which does not require previous training or experience." Under this definition very little labor will be found to be unskilled.)

6. The committee determines the minimum wage rate for each subdivision.
7. The Administrator holds a hearing based on the recommendations of the industry committee. He may approve or disapprove the recommendations.
8. The Administrator issues the orders fixing the job classifications and minimum wage scale applicable thereto.

Because we have, while engaged in war, built up a wage scale much higher than was previously attained, it is not reasonable to write such a wage into law as minimum. We do not believe that a minimum of 75 cents an hour can be maintained unless coupled with it, is marked devaluation of the currency. If this is in contemplation, we would like it developed.

COURT REVIEW

If action is not taken by any person who deems himself aggrieved, in proper court, within 60 days after the order is issued, the order is final.

Court review is limited to questions of law. We believe it advisable to revise section 10 to provide adequate court review of all proceedings under this act and to that end would amend section 10.

AMENDMENTS

Insert in section 13 (a) following proposed paragraph 5 or as a new paragraph in the present law:

"(6) Any individual employed in an establishment, if he is engaged in cleaning, grading, packing, drying, peeling, shelling, or otherwise preparing for market, precooling, refrigerating or storing of seasonal or perishable fruits or vegetables, or handling or transportation in connection with or incidental to such operations; (a) if he performs those operations on fresh fruits or vegetables all of which come from farms in that producing area, without regard to State lines, in which the establishment where he is employed is located, and where such commodities are, according to historical practice, normally or necessarily prepared for market. This exemption shall not apply to terminal or consumer markets where the products have been sent for distribution for consumption."

Amend by striking out the following:

Section 2 (b), all of paragraph (2), lines 16–18.
Section 3 (n), job classification, etc., lines 3 to 5, page 3.
Section 3 (o), unskilled job classification, etc., lines 6 to 8, page 3.
Section 6, all of the section.
Section 8, all of the section.

Section 16 (b), line 11, amend the words "five years" to read "one year" and the sentence to read "Action to recover such liability may be maintained at any time within one year from the accrual of such liability," etc.

Section 10, court review, amend paragraph "(a)"—

By striking out the first sentence and substituting for it the following: "Any person adversely affected by any agency action shall be entitled to judicial review thereof in any court of competent jurisdiction, by filing in such court, within a reasonable time after notification of such agency action, a written petition praying that the action be modified or set aside in whole or in part."

By striking out the fourth sentence, beginning "The review by the court * * *" and substituting for it the following: "Every final agency action, or agency action for which there is no other adequate remedy in any court, shall be subject to judicial review. Any preliminary, procedural, or intermediate agency action or ruling not directly reviewable shall be subject to review upon the review of the final agency action. Any agency action shall be final for the purposes of this section notwithstanding that no petition for review, rehearing, reconsideration, reopening, or declaratory order has been presented to or determined by the agency."

By striking out the word "final" in the last sentence, so that it will read: "The judgment and decree of the court shall be subject to review, etc."

Add after paragraph "(b)" the following new paragraphs:

"(c) Form and venue of action: The form of proceeding for judicial review shall be any special statutory review proceeding relevant to the subject matter in any court specified by statute or, in the absence or inadequacy thereof, any applicable form of legal action (including actions for declaratory judgments or writs of injunction or habeas corpus) in any court of competent jurisdiction. Any party adversely affected or threatened to be so affected may, through declaratory judgment procedure after resort to any adequate agency relief provided by rule or statute, secure a judicial declaration of rights respecting the validity or application of any agency action. Agency action shall be subject to judicial review in civil or criminal proceedings for judicial enforcement except to the extent that prior, adequate, and exclusive opportunity for such review is provided by statute.

"(d) Interim relief: Pending judicial review any agency is authorized, where it finds that justice so requires, to postpone the effective date of any action taken by it. Upon such conditions as may be required and to the extent necessary to preserve status or rights, afford an opportunity for judicial review of any question of law or prevent irreparable injury, every reviewing court and every court to which a case may be taken on appeal from or upon application for certiorari or other writ to a reviewing court is authorized to issue all necessary and appropriate process to postpone the effective date of any agency action or temporarily grant or extend relief denied or withheld."

"(e) Scope of review: So far as necessary to decision and where presented the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of any agency action. It shall (A) direct or compel agency action unlawfully withheld or unreasonably delayed and (B) hold unlawful and set aside agency action found (1) arbitrary, capricious, or otherwise not in accordance with law: (2) contrary to constitutional right, power, privilege, or immunity; (3) in excess of statutory jurisdiction, authority, or limitations. or short of statutory right; (4) without due observance of procedure required by law; (5) unsupported by competent, material, and substantial evidence upon the whole agency record as reviewed by the court in any case subject to the requirements of sections 7 and 8; or (6) unwarranted by the facts to the extent that the facts in any case are subject to trial de novo by the reviewing court. The relevant facts shall be tried and determined de novo by the original court of review in all cases in which adjudications are not required by statute to be made upon agency hearing."

It will be necessary then to amend section 3 of the Fair Labor Standards Act, definitions, to include the following:

"Person and party: 'Person' includes individuals, partnerships, corporations, associations, or public or private organizations of any character other than agencies. 'Party' includes any person or agency participating, or properly seeking and entitled to participate, in any agency proceeding or in proceedings for judicial review of any agency action."

"Rule and rule making: 'Rule' means the whole or any part of any agency statement of general applicability designed to implement, interpret, or prescribe law or policy or to describe the organization, procedure, or practice requirements of any agency. 'Rule making' means agency process for the formulation, amendment, or repeal of a rule.

"Order and adjudication: 'Order' means the whole or any part of the final disposition of judgment (whether or not affirmative, negative, or declaratory in form) of any agency, and 'adjudication' means its process, in a particular instance other than rule making but including licensing.

"Agency action: For the purposes of section 10, 'agency action' includes the whole or part of every agency rule, order, license, sanction, relief, or the equivalent or denial thereof and including in each case the supporting procedures, findings conclusions, and reasons required by law."

TABLE 1.—*Employment, prices, and income, United States, average 1935–39, 1943, and estimates for 1950 under assumed conditions*

Item	Unit or base	Average 1935–39	1943	1950 [1]		
				Full employment	Intermediate employment	Serious depression
Total labor force	Million	53.8	62.6	60.0	60.0	60.0
Armed forces	do	.3	9.1	2.0	2.0	2.0
Total unemployment	do	10.2	1.1	2.0	7.0	17.0
Total civilian employment	do	43.3	52.4	56.0	51.0	41.0
Total agricultural employment	do	9.3	8.3	8.0	8.5	9.0
Total nonagricultural employment	do	34.0	44.1	48.0	42.5	32.0
Gross national product	Billion dollars	81.9	187.8	188.0	130.0	76.5
National income	do	65.4	149.4	150.0	105.0	57.5
Wholesale prices, all commodities, index	1926	81.0	103.0	103.0	87.0	66.0
Cash income from farm marketings	Billion dollars	8.0	19.2	17.0	12.5	6.5
Net income of farm operators	do	4.2	11.4	9.3	6.5	3.0
Prices received by farmers, index	August 1909–July 1914	107.0	193.0	165.0	125.0	75.0
Prices paid, interest and taxes, index	do	128.0	162.0	165.0	140.0	120.0
Parity ratio (prices received vs. prices paid).	do	84.0	119.0	100.0	89.0	62.0
Food consumption, per capita, index	1935–39	100.0	106.0	118.0	110.0	100.0
Agricultural production, index	1935–39	100.0	129.0	[2] 135.0	[2] 125.0	[2] 115.0

[1] The number of employed or unemployed is not the only factor that distinguishes any one set of conditions from the other two assumed for 1950. The general price level and productivity per worker change also. The full employment estimates assume a minimum frictional unemployment of 2,000,000 persons continuation of trends in productivity per worker, and a general price level equivalent to that of 1943, with prices received by farmers adjusted to their usual relation with the general price level during 1921–41. The intermediate situation assumes per capita income and prices generally at about the level of 1941. Serious depression assumes an income level somewhat above 1932, but below 1935–39 and prices generally about equal to the average of 1932 and 1933, but since both the labor force and productivity per worker are increasing, unemployment under this situation would be even greater than in 1932 and 1933. Population in 1950 is estimated at 144,000,000. All three estimates assume 2,000,000 workers in the armed forces.

[2] Production consumers would buy (and farm families would use) at the prices assumed.

Source: Miscellaneous Publication 570, U. S. Department of Agriculture.

TABLE 2.—*Per capita income: Annual and daily seasonal average wholesale price of apples in New York City*

[Per 5-year-average box or bushel in dollars]

Year	Income per capita dollars		Baldwin		Rhode Island Greening		Spy		McIntosh	Delicious	Winesap
	Yearly	Daily									
			Bushel		*Bushel*		*Bushel*		*Bushel*	*Box*	*Box*
1850	$95	$0.26									
1860	115	.31									
1870	174	.48									
1876			$1.07				$1.01				
1877			1.61								
1878			.62	$0.96	$0.60	$0.63	.45	$0.67			
1879			.95		.86						
1880	147	.41	.53		.44		.55				
1881			1.10		1.07		1.03				
1882			1.12		1.06		1.05				
1883			1.14	.92	1.14	.88		.82			
1884			.75		.66		.68				
1885			.50		.48		.51				
1886			.99		1.00		1.02				
1887			.81		.77		.65				
1888			.44	.91	.53	.97	.67	1.04			
1889			.95		.94		1.22				
1890	192	.53	1.37		1.62		1.63				
1891			.67		.57		1.05				
1892			.79		.84		.90				
1893			1.30	$0.90	1.13	$0.87	1.27	$0.98			
1894			.93		1.00		.95				
1895			.79		.82		.75				
1896			.51		.56		.64				
1897			.91		.96		.94				
1898			1.24	.90	1.39	.92	1.21	.94			
1899			.92		.85		.90				
1900	$236	$0.65	.90		.83		.99				
1901			1.15		1.22		1.07				
1902			.66		.71		.69				
1903			.74	.91	.77	.92	.86	1.00			
1904			.69		.65		.81		$1.00		
1905			1.29		1.26		1.55		1.30		
1906			1.09		.98		1.10		$1.08		
1907			.95		1.05		1.03		1.22		
1908			1.39	1.17	1.20	1.16	1.45	1.22	1.25	1.23	
1909	322	.88	1.06		1.14		1.06		1.32		
1910	333	$0.91	1.34		1.42		1.47		1.30		
1911	327	.90	.87		.95		1.08		1.00		
1912	349	.95	.89	.94	.90		1.12		1.07		
1913	363	1.00	1.19	.95	1.24	.96	1.45	1.16	1.26	1.07	
1914	348	.95	.91		.87		1.06		.95		
1915	373	1.02	.91		.85		1.12		1.09		
1916	455	1.25	1.14		1.36		1.56		1.28		
1917	522	1.43	1.55		1.64		1.78		1.73		
1918	569	1.56	2.25	1.73	2.24	1.78	2.73	2.01	2.47	2.05	
1919	641	1.75	2.18		2.27		2.27		2.80		
1920	639	1.75	1.53		1.39		1.73		1.95		
1921	468	1.28	2.24		2.58		2.50		2.76		
1922	535	1.47	1.43		1.32		1.75		2.33		
1923	610	1.67	1.21	1.57	1.41	1.72	1.47	1.86	1.85	2.30	
1924	600	1.64	1.76	1.67	1.79		2.14		2.51		
1925	633	1.73	1.23		1.50		1.45		2.06		
1926	643	1.76	1.03		1.10		1.27		1.83		
1927	624	1.71	2.11		2.43		2.35		2.62		
1928	648	1.77	1.47	1.51	1.56	1.63	2.05	1.85	2.48	2.13	
1929	668	1.83	1.68		2.01		2.28		2.31		
1930	555	1.52	1.25		1.07		1.30		1.41		
1931	434	1.19	.99		1.08		1.29		1.63		
1932	320	.88	.89		.83		1.08		1.08		
1933	366	.92	1.14	1.05	1.16	1.06	1.19	1.27	1.26	1.36	
1934	395	1.08	1.33		1.26		1.52		1.54		
1935	423	1.19	.88		.96				1.28		
1936	494	1.35	1.54		1.34			1.40	2.09		
1937	540	1.48	.76		.82			.89	1.25		
1938	472	1.29	1.10	1.08	1.04	1.04		1.34	1.69	1.57	
1939	543	1.48	.95		.90			1.01	1.20		
1940	563	1.54	1.06		1.12				1.64		
1941	696	1.90		1.49		1.32		1.43		1.72	
1942	862	2.36		1.85		1.42		1.84		1.95	
1943	1,037	2.84		[3] 1.50		[3] 1.04		[3] 1.61		[3] 1.42	
1944	1,117	3.06									

Year	Rhode Island Greening		Spy		McIntosh	Delicious		Winesap	
	Bushel		*Bushel*		*Bushel*	*Box*		*Box*	
1891	$0.57		$1.05						
1892	.84		.90						
1893	1.13	$0.87	1.27	$0.98					
1894	1.00		.95						
1895	.82		.75						
1896	.56		.64						
1897	.96		.94						
1898	1.39	.92	1.21	.94					
1899	.85		.90						
1900	.83		.99						
1901	1.22		1.07						
1902	.71		.69						
1903	.77	.92	.86	1.00					
1904	.65		.81		$1.00				
1905	1.26		1.55		1.30				
1906	.98		1.10		$1.08				
1907	1.05		1.03		1.22				
1908	1.20	1.16	1.45	1.22	1.25	1.23			
1909	1.14		1.06		1.32				
1910	1.42		1.47		1.30				
1911	.95		1.08		1.00				
1912	.90		1.12		1.07				
1913	1.24	.96	1.45	1.16	1.26	1.07			
1914	.87		1.06		.95				
1915	.85		1.12		1.09				
1916	1.36		1.56		1.28				
1917	1.64		1.78		1.73				
2.24	1.78	2.73	2.01	2.47	2.05				
1918	2.27		2.27		2.80				
1919	1.39		1.73		1.95				
1920	2.58		2.50		2.76				
1921	1.32		1.75		2.33				
1922	1.41	1.72	1.47	1.86	1.85	2.30			
1923	1.79		2.14		2.51				
1924	1.50		1.45		2.06				
1925	1.10		1.27		1.83		$2.72		$2.60
1926	2.43		2.35		2.62		3.78		2.76
1927	1.56	1.63	2.05	1.85	2.48	2.13	2.86	$3.02	2.77 $2.59
1928	2.01		2.28		2.31		3.31		2.67
1929	1.07		1.30		1.41		2.44		2.14
1930	1.08		1.29		1.63		2.07		1.53
1931	.83		1.08		1.08		1.63		1.50
1932	1.16	1.06	1.19	1.27	1.26	1.36	2.18	1.92	1.76 1.67
1933	1.26		1.52		1.54		1.86		1.81
1934	.96				1.28		1.86		1.77
1935	1.34			1.40	2.09		2.50		2.28
1936	.82			.89	1.25		1.65		1.61
1937	1.04	1.04		1.34	1.69	1.57	2.01	2.05	1.81 1.94
1938	.90			1.01	1.20		1.99		2.05
1939	1.12				1.64		2.09		1.94
1940		1.32		1.43		1.72		2.19	2.74
1941		1.42		1.84		1.95		3.46	4.38
1942		[3] 1.04		[3] 1.61		[3] 1.42		[3] 1.62	[3] 1.55
1943									
1944									

[1] OPA price contract.

Source: International Apple Association.

TABLE 3.—*Income per year and per capita of persons "not on farms" and persons "on farms"*

Year	Person not on farms		Person on farm		Yearly and daily with Government payments added 1933 to date		Ratio: Farm income to nonfarm
	Yearly income per person not on farms	Daily income person not on farms	Yearly net income from agriculture per person on farms	Daily income of person on farms			
1910	$482	$1.32	$139	$0.38			
1911	468	1.28	123	.34			
1912	483	1.32 $1.33	135	.37 $0.37			3.59 to 1.
1913	521	1.43	137	.38			
1914	482	1.32	141	.39			
1915	502	1.37	137	.38			
1916	579	1.58	157	.43			
1917	638	1.75	259	.71			
1918	670	1.83	305	.83			2.20 to 1.
1919	762	2.09	321	.88			
1920	875	2.40	266	.73			
1921	718	1.97	120	.33			6.00 to 1.
1922	715	1.96	154	.42			
1923	812	2.22	181	.49			
1924	788	2.16 2.20	182	.50 .58			3.79 to 1.
1925	810	2.22	224	.61			
1926	856	2.34	217	.59			
1927	818	2.24	211	.58			
1928	828	2.26	223	.61			
1929	870	2.38	224	.61			
1930	760	2.08	172	.47			
1931	605	1.66	115	.31			
1932	442	1.21	75	.21			
1933	417	1.14	91	.25	$95	$0.26	
1934	487	1.33	99	.27	112	.31	
1935	540	1.48	144	.39	158	.43	
1936	626	1.72	165	.45	170	.47	
1937	670	1.83	192	.53	197	.54	
1938	621	1.70	154	.42	164	.45	
1939	657	1.80	154	.42	171	.47	
1940	716	1.96	161	.44	179	.49	4.00 to 1.
1941	850	2.33	237	.65	252	.69	3.37 to 1.
1942	1,045	2.86	368	1.01	389	1.07	2.69 to 1.
1943	1,248	3.42	500	1.37	523	1.43	2.39 to 1.
1944	1,317	3.61	506	1.39	534	1.46	2.47 to 1.
Average:							
1910–19	559	1.53	185	.51			3.00 to 1.
1920–29	809	2.22	200	.55			4.04 to 1.
1930–39	583	1.60	136	.37	143	.39	4.10 to 1.
1941–44	1,115	3.05	403	1.10	425	1.16	2.63 to 1.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

(An additional table submitted by Mr. Fraser is as follows:)

TABLE 4.—*Labor required on farms: Estimated requirements in terms of man-hours for crops, livestock, and other farm work, United States, 1939 and 1942–44*

Enterprise	Equivalent man-hours [1] (Million hours)				Index numbers (1939=100)		
	1939	1942	1943	1944 [2]	1942	1943	1944 [2]
Milk production	3,452	3,674	3,609	3,640	106.4	104.5	105.4
Cattle and calves	617	705	730	741	114.3	118.3	120.1
Hogs	545	640	746	623	117.4	136.9	114.3
Sheep, lambs, and wool	248	274	256	237	110.5	103.2	95.6
Poultry	992	1,168	1,292	1,301	117.7	130.2	131.1
All productive livestock [3]	5,983	6,590	6,762	6,671	110.1	113.0	111.5
Horses and mules	994	922	899	862	92.8	90.4	86.7
All livestock	6,977	7,512	7,661	7,533	107.7	109.8	108.0
Corn	2,480	2,448	2,542	2,553	98.7	102.5	102.9
Feed grains other than corn	671	740	720	710	110.3	107.3	105.8
Hay	840	906	916	902	107.9	109.0	107.4

For footnotes, see p. 457.

TABLE 4.—*Labor required on farms: Estimated requirements in terms of man-hours for crops, livestock, and other farm work, United States, 1939 and 1942–44*—Con.

Enterprise	Equivalent man-hours [1] (Million hours)				Index numbers (1939=100)		
	1939	1942	1943	1944 [2]	1942	1943	1944 [2]
Cotton	2,198	2,225	2,005	2,001	101.2	91.2	91.0
Tobacco	803	570	577	733	71.0	71.9	91.3
Wheat	461	413	414	495	89.6	89.8	107.4
Food grains other than wheat	92	101	93	86	109.8	101.1	93.5
Sugar crops	227	224	192	186	98.7	84.6	81.9
Truck crops	1,118	1,143	1,110	1,154	102.2	99.3	103.2
Vegetables except truck	326	327	404	338	100.3	123.9	103.7
Fruits and nuts	771	779	741	741	101.0	96.1	96.1
Oil crops	242	434	475	397	179.3	196.3	164.0
Other crops	159	159	137	141	100.0	86.1	88.7
All crops	10,388	10,469	10,326	10,437	100.8	99.4	100.5
Farm maintenance and other miscellaneous work [4]	3,089	3,151	3,181	3,212	102.0	103.0	104.0
All farm work	20,454	21,132	21,168	21,182	103.3	103.5	103.6

[1] Equivalent man-hours are in terms of the time required by average adult males to perform various farm tasks. Since many women, children, and older workers accomplish less in an hour than an average adult male, actual hours of work on many enterprises are in excess of those shown in this table.
[2] Preliminary.
[3] Includes the total labor requirements for all livestock enterprises, except for horses and mules.
[4] This kind of work, amounting to about 15 percent of the work needed for farming, includes labor spent on fencing, repairs to buildings, machinery and equipment, farm woods, pastures, general land maintenance, farm business and other miscellaneous work. Some of this work probably has been postponed during wartime because of the scarcity of labor.

Senator TUNNELL. Mr. Fraser, we thank you very much for your testimony. I think you have made a good witness, although I have not agreed with a great deal of what you have said.

Senator ELLENDER. I think you have made an excellent witness, Mr. Fraser, and your testimony will be of much help to all of us.

Senator TUNNELL. Mr. Charles Holman.

TESTIMONY OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

Senator TUNNELL. Will you give the reporter your name and position?

Mr. HOLMAN. Charles W. Holman, secretary, National Cooperative Milk Producers, Federation, 1731 Eye Street NW, Washington, D. C.

Mr. Chairman, with your permission, since my testimony is relatively short, and rather technical, I would like to read my statement.

Senator TUNNELL. That is all right.

Mr. HOLMAN. Our organization now consists of 74 farmer-owned and farmer-controlled dairy cooperations and several hundred submember groups. The farm families who are the member-owners of these cooperations number more than 350,000 and reside in 46 States. We have approximately 800 dairy plants owned by either the member or submember groups.

I am instructed by the board of directors of the federation, meeting in Washington, D. C., September 25 and 26, to seek certain changes in S. 1349 introduced by Senator Pepper, of Florida. This bill is intended to amend the Fair Labor Standards Act, otherwise known as the wage and hour law.

The bill makes five major changes in the existing law, as follows:

1. Establishes a minimum wage for unskilled labor of 65 cents per hour for the first year after the enactment of the amendment, 70 cents per hour for the second year, and 75 cents per hour thereafter.

2. Grants to the Wage and Hour Division what is substantially the right to set, without hearings, the hourly rate to be paid to skilled workers;

3. Removes from the bill the so-called first processing exemption, whereby a dairy plant engaged in the first processing of milk, whey, skimmed milk or cream into dairy products, was exempted from overtime provision;

4. Removes from the statute the so-called "area of production" exemption whereby any individual employed within the area of production—as defined by the Wage and Hour Administrator—that is in the present law—in processing agricultural products, was not subject to the minimum wage provision, or the maximum hour provision, which requires the payment of time and one-half after 40 hours in any one week;

5. Puts into the present law a statute of limitations permitting an employee to sue for back wages—when an employer is found to be under the act—at any time within 5 years from the time such wages became first due.

(1) Although our producers supplying creameries are among the lowest income groups within the food industry, we have no direct recommendation to make concerning the proposed minimum wage scale in Senator Pepper's bill provided incomes of dairy farmers are not reduced below their present levels. We recognize that there are agricultural groups engaged in processing agricultural products which would find it a sacrificial act to be required to pay the new wage scale; also that in such communities these minimum rates would throw out of gear wage relationships with respect to occupations not directly related to interstate commerce. This dislocation would also apply to the competitive position in which dairy farmers would be placed with regard to the rates of labor on their own farms and the rates of labor paid in the various dairy and other plants located in rural communities.

(2) We object to the power given in the bill to the Wage-Hour Division to make adjustments of wages for the skilled employees. We do not believe that officials of Government are either equipped, or can equip themselves, to determine what rates of wages should be paid to such employees without regard to the price returns on commodities processed, and particularly without regard to the effect upon the income of farmers owning and operating, cooperatively, plants whose skilled employees are thus placed within the new jurisdictional power.

Delegation by the Congress of such power to the Wage-Hour Administrator abrogates the theory on which the original act was based, namely, the protection of minimum standards of wages for those in the lowest income brackets employed in handling products in interstate commerce. The new theory would give a Government administrator power to regulate and fix a minimum for all incomes—that is, all wage incomes—without even the procedure of a public hearing. It makes the will or the whim of the Administrator supreme wage law.

(3) We believe that two important sections of the Fair Labor Standards Act of 1938, omitted by the Pepper Bill, should be restored to the basic law in language which will make their operations practicable. I refer now to the sections dealing with the so-called area of production and first processing.

I will deal with these sections separately and offer for consideration of the committee amendments designed to make them administratively feasible.

I wish to deal first with section 7 (c) of the act, which provides exemption from the overtime provisions for those plants manufacturing dairy products when they are engaged in the first processing. I offer a proposed amendment designed to clarify the exemption which Congress intended such plants to have.

On page 5, after line 14, add subsection (c) to read as follows:

(c) In the case of an employer engaged in the first processing of milk, whey, skimmed milk, or cream into dairy products, provided, that the addition of any necessary ingredients or the transportation of such milk, whey, skimmed milk, or cream in any form between several plants of the employer shall not be deemed an interruption of first processing, or in the ginning and compressing of cotton, or in the processing of cottonseed or in the processing of sugar beets, sugar cane, or maple sap into sugar (but not refined sugar) or into syrup, the provisions of subsection (a) shall not apply to any employees in any such place of employment; and in the case of an employer engaged in the first processing of, or in canning or packing perishable or seasonal fresh fruits, or vegetables or in the first processing, within the area of production (as defined by the Administrator), of any agricultural or horticultural commodity during seasonal operations, or in handling, slaughtering or dressing poultry or livestock, the provisions of subsection (a) during a period or periods of not more than 14 workweeks in the aggregate in any calendar year, shall not apply to his employees in any place of employment where he is so engaged.

Senator SMITH. Could you give us briefly the philosophy of this amendment, so we can get a little exposition of that?

Mr. HOLMAN. The philosophy of the amendment lies, primarily in the confusion which will occur within the dairy industry, and I am applying it largely to the dairy industry now, where plants may be located in strictly rural communities, and other plants may be located in large cities.

Yet both plants may have to sell on the same market at competitive prices.

That is really the nub of the reason for asking for the restoration of the language, aside from the reasons I propose to give to the committee in my short brief here.

In that connection, there is some new language inserted into the proposed amendment as compared with the original 7 (c).

The new language follows the words "dairy products" in the second line, and is as follows:

Provided, that the addition of any necessary ingredients or the transportation of such milk, whey, skimmed milk, or cream in any form between several plants of the employer shall not be deemed an interruption of first processing.

We have had a great deal of difficulty in our dealings with the Wage and Hour Division over their tendency to try to narrow down the scope of operations of a given employee in a given plant.

For example, let us take in the making of so simple a product as sweetened condensed skimmed milk.

Here is a man who will be hauling a 200-pound sack of sugar on a truck right on up to another point where that sugar is to go into a hopper, and then goes down into the hot well. The man who is stirring the hot well has, in times past, been defined as not engaged in first

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processing, whereas the man hauling the sugar has been defined as engaged in it.

Likewise the engineer and fireman who must keep the power going to do this operation have been defined as not being in the first processing, but only the persons who are handling the milk, and that process is interrupted since the stirrer was eliminated.

A fact of fundamental importance affecting the ability of dairy manufacturers to operate within a 40-hour week is the extreme perishability of milk and cream. Milk is and must be delivered from the farm to the factories every day. Milk must be processed each day as it is received and the processing must be completed in order to protect the quality of the milk and to clear the processing facilities for the next day's supply. Without prompt and continuous processing the product may be unsafe for human use and great waste result.

Senator SMITH. Might I interrupt to ask a question about a local situation in my State of New Jersey? We have a milk producer there, Walker Gordon, whom you probably know.

They have the rotolactors.

Now, if a man milks a cow by hand, that is a farm classification, and if he milks the cow by the rotolactor, it is an industrial classification.

Mr. HOLMAN. In that particular instance, the Walker Gordon people largely with the assistance of our organization, came before a committee and ask that this matter be investigated; the thing looked so foul to us.

The final agreement forced upon the Walker Gordon people by means of a primary and secondary part of their milk going largely to hospitals and children, did exclude the operations on the rotolactor.

But another clause says that the union will not attempt to unionize all of the farm help until after the dealers and the help in New York City enter into a joint agreement whereby the right of the union to organize farm labor is recognized.

Senator SMITH. I was trying to raise the issue about this paragraph which you have suggested here, so far as the minimum wage is concerned. Would it put a man working on a rotolactor on the same wage base as a man milking a cow, assuming you are working in the same areas of production?

Mr. HOLMAN. That would depend upon whether the final determination of that operation results in the rotolactor milker being declared an agricultural laborer, in which case he would be exempt under the terms of the bill as proposed by the committee.

Senator SMITH. I think it is interesting—an interesting sidelight of the complications involved in this legislation.

Mr. HOLMAN. As Mr. Fraser said, 29,000 skilled classifications are involved.

It is also of fundamental importance that the daily supply of milk delivered to dairy manufacturing plants varies widely from the low production season to the high production season.

Dairy farms in the United States produce 50 percent more milk in June than in November. The amount of milk delivered to plants varies even more widely than the amount produced.

Condenseries, for example, get a total of 75 percent more milk in June than in November. Part of this variation is a result of the fact that some producers actually cease delivering milk in the low production months. Condenseries buy milk from 19 percent more producers in June than in November.

The extreme seasonal variation in the output of dairy plants is reflected in production figures from the Department of Agriculture. There is 92 percent more creamery butter made in June than in November. Production of evaporated milk increases 142 percent and production of American cheese increases 149 percent in the same period. Ice-cream production is 218 percent higher in the peak than during the months of low production.

These figures indicate the amount of variation in the labor load in dairy manufacturing plants. To take care of the increased production, butter plants in 1939 hired 10 percent more workers who worked 3 percent more hours per week. In 1944 under changed conditions butter plants hired 21 percent more workers and lengthened the workweek 3 percent. Evaporated- and condensed-milk plants hired 15 percent more workers during the peak months than during the low months of 1939. Data on weekly hours of employment are not available for this industry for 1939. In 1944 employment increased 28 percent from the low month and the workweek was lengthened 8 percent. In the ice-cream industry in 1939, 37 percent more workers were employed per week and the workweek was increased 6 percent. In 1944, 35 percent more production workers were employed at the peak and the workweek was lengthened 4 percent.

Senator TUNNELL. Isn't what you are speaking of largely because of the fact that the cows are fresh at that time?

Mr. HOLMAN. Yes, sir; we have tried, particularly in the fluid-milk business, to reorganize the cows' habits and have succeeded in doing so to some extent, but not entirely.

Here is a table which represents in tabular form the figures I have just given to the committee. It is as follows:

Seasonal variation in employment and hours of work per worker, selected industries, 1939 and 1944

[Peak month as percent of low month [1]]

Industry	Year	Employment	Hours worked per week per employee
Butter	1939	110	103
	1944	121	103
Condensed and evaporated milk	1939	115	[2]
	1944	128	108
Ice cream	1939	137	106
	1944	135	104
All food industries	1939	134	105
	1944	116	98.5

[1] For butter and condensed- and evaporated-milk industries the peak month is June, the low month November. For ice cream the peak month is July, the low month January. Peak employment in food industries as a whole comes in September, the low month being February.
[2] Not available.

Source: Based on data from the U. S. Bureau of Labor Statistics.

The workweek in the butter industry in 1944 averaged 47.6 hours or 0.9 hours more than in 1939. The workweek in the condensed and evaporated milk industry averaged 49.8 hours in 1944, but comparable data are lacking for 1939. The workweek for the ice-cream industry was 46.5 hours in 1944 and 46.2 hours in 1939.

May I interpolate here by saying that during the war period there was a rather regular control over the amount of milk that could be used in various dairy products with considerable emphasis upon increasing the supply of fluid milk available to be consumed in bottles, and that may account in part for the fact that ice cream which was perhaps the most rigidly controlled, and butter which lost to the condenseries, and cream factories, owing to Government policy, did not have any higher wages than I am now quoting.

In tabular form the annual averages of hours worked per week per employee, selected industries, 1939 and 1944, show as:

Industry	Hours worked per week	
	1939	1944
Butter	46.7	47.6
Condensed and evaporated milk	(1)	49.8
Ice cream	46.2	46.5
All food industries	40.3	45.4

[1] Not available.

Source: U. S. Bureau of Labor Statistics.

For comparison with the above figures on employment and weekly hours, the following average figures for all food industries combined may be considered:

The number employed at the month of peak employment was 34 percent higher than at the low month in 1939 and 16 percent higher in 1944.

The work week was 5 percent longer in the peak month of 1939 than in the low month for total employment; but was 1.5 percent shorter in 1944. The average hours worked in all food industries was 45.4 hours in 1944, but only 40.3 hours in 1939.

In addition to the very large and significant seasonal variation in the quantity of milk to be processed by dairy manufacturing plants there is an occasional disruption of the work week because of conditions interfering with the regular delivery of milk. When bad weather or other causes resulted in delayed deliveries in the day the work day is lengthened. Employees must stay until all of the day's milk is received and processed. This lengthening of the work day is not offset by shorter hours later in the week.

Most of these plants run a 7-day week in order to milk the cows. They have to be milked and we have no farm storage of the milk. It has to go to the plants.

Therefore, conditions beyond control of the employer frequently cause the workweek to exceed the maximum of 40 hours. This is particularly true in the winter months.

The dairy industry requires skilled workers for nearly all operations. The necessary skill and scientific training of laboratory workers of course is unquestioned. But similar exacting skills are required of all workers including those employed in such tasks as cleaning up the plant.

That is ordinarily considered to be unskilled labor, but it requires a person especially trained in that work to clean up a dairy plant so that it is sanitary after the plant is cleaned.

The need for skilled workers precludes indiscriminate seasonal hiring and firing of production employees. It is for this reason that the dairy industries do not show variations in employment commensurate with the variations in the quantity of products handled.

A fifth factor affecting the ability of dairy plants to observe maximum hours for all employees is the integrated nature of all plant operations. All production employees of a dairy plant are equally indispensable to the production process. This is true of the man on the receiving platform, the man in the laboratory, the butter maker, the cheese maker, et cetera, the fireman in the boiler room, the electrician, and so on.

The electrician cannot just come there and do his work. He has to be there all day long while the plant is in operation.

Not only are these workers essential but it is essential that they work concurrent hours. Furnishing of steam for the clean-up process, the last operation of the day, is as esssential an operation as the furnishing of steam for the first production operation.

The next proposed amendment which I offer has to do with the revision of the language of section 13 (a) (10), commonly known as the "area of production" exemption. The exemption in this section applies to the described plants with respect both to minimum wages and maximum hours whether or not such plants are engaged in such processing.

Following your question, Senator Smith, the particular philosophy of this second amendment lies largely in the territory or location of the plant.

The definition of area of production which had been defined by the Administrator was thrown out by the United States Supreme Court on June 5, 1944. Since that time the Administrator has not promulgated a set definition of area of production under the act. The amendment which we offer would return the exemption of the law and would define area of production so far as milk and dairy products are concerned. The language of the proposed amendment follows:

On page 12, line 8, strike out the period and insert a semicolon and add subsection 11 to read as follows:

(11) To an individual employed within the area of production (as defined by the Administrator) engaged in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products: *Provided*—

and this is important—

That in the case of milk and dairy products, employees shall be deemed employed within the area of production if they are employed (1) in a receiving plant engaged in receiving, cooling, and shipping milk or cream, provided at least 95 per centum of the volume of the supply of milk or cream for such plant during the preceding calendar year was received from farms located within the same county as the receiving plant or in contiguous counties; or (2) in the case of employees employed in a manufacturing plant engaged in the manufacture of dairy products, provided at least 75 per centum of the volume of supply of milk or dairy products of such plant during the preceding calendar year was received (a) from farms located within the same county as the manufacturing plant or in contiguous counties, or (b) from receiving plants or other manufacturing plants so engaged, located within a radius of seventy-five miles of the manufacturing plant where the employees are employed. In determining the volume of dairy products, the milk equivalent thereof shall be the basis of determination.

These suggestions were made as a result of contact with our people in almost every part of the United States. We checked the routes,

we checked the radius, and we are confident that this definition for dairy products will work, and we suspect that it will pass the Supreme Court because the language is very clearly defined, and if Congress should act upon it the Administrator will not be in the position of trying to define what "area of production" is, and very few people in the wage-hour industry are familiar with these particular definitions.

Dairy manufacturing industries, by and large, are industries of small towns. Milk processing must take place close to the farm because of the perishable nature of milk, and because of its great bulk which makes long hauls costly.

The location of dairy industries in small towns gives access to laborers whose cost of living is the lowest in the country. It is for this reason that conformance with a minimum wage standard would work an undue hardship on plants located in an "area of production." The minimum wage designed to give equal standards of living to urban and rural workers would necessarily be less for the latter than for the former.

A further problem in establishing minimum wages is the proximity of the dairy plants to the farms, the largest economic area of self-employment in the Nation. Agriculture cannot afford the proposed scale of minimum wages for its employees, even at wartime prices. Many farmers would prefer to work for the minimum industrial wage if the opportunity were afforded. They might even prefer to become self-employed as operators of small creameries or cheese factories and accept a labor return less than the wage which they would be compelled by minimum-wage regulations to pay to such hired help as would be required. The absurdity of a smaller return for a proprietor than for his helper is apparent. Such conditions could be avoided by providing for the "area of production" exemption.

That the above contrast between self-employed and hired workers in the dairy industry is not unrealistic is shown by census data on the average size of butter and cheese establishments. Creameries in 1939 employed an average of only five workers per establishment. Cheese plants employed only one and nine-tenths wage earners per establishment. A study of Wisconsin creameries showed that nearly half of the creameries were less than one-fourth the size of the larger creameries. These would be one- and two-man plants. They handled one-seventh of the total milk received by creameries. Small creameries, being willing and able to operate at a lower labor cost than those who would be required to pay minimum wages, would tend to increase in numbers. These creameries, however, are generally inefficient by over-all standards.

Hence a shift of butter production to such plants would inevitably mean less money returned to producers for milk and cream. The situation with respect to cheese factories is even more acute with 98 percent of the Wisconsin plants handling less than 5,000,000 pounds of milk annually and only two-tenths of 1 percent handling more than 10,000,000 pounds. Where the partnership is used even larger plants could legally escape the law.

The existence of such opportunities for honest evasion of minimum-wage regulations would work great hardships on the generally more efficient dairy plants engaged in processing the same commodities. Since dairy plants generally are located in an area of production conforming to our proposed definition, exemption of plants in such area would relieve this problem.

Because of the factors enumerated above—location of dairy plants in low-cost-of-living areas, proximity to population groups engaged in low-paid self-employment, and significant volume of self-employment—the average hourly earnings in the butter industry, for example, are the lowest of any of 13 food groups for which hourly earnings are reported by the Bureau of Labor Statisticis.

In 1944 production workers in the butter industry received annual earnings, average hourly, of 70.9 cents. The next lowest average hourly wage was in the confectionary industry, in which the average wage was 72.3 cents. The average for all food industries was 84.9 cents, which exceeded earnings in the condensed- and evaporated-milk industry of 73.7 cents and in the ice-cream industry of 79.4 cents per hour, which exceeded the earnings in the canning and preserving industry by 2 cents per hour, but was 12.3 cents per hour below the average of all food industries. If wages of workers in the butter industry had been raised to the average level of all industries, which would have been substantially the effect of an applicable minimum-wage regulation at that time, the cost of processing butter would have been increased about 6½ percent.

Since butter already returns to producers the lowest average price per pound of butterfat of any of the dairy products, the effect of applying minimum-wage regulations would be to take money from the pockets of the lowest-income group of dairy farmers, either directly through lower price or indirectly through a curtailed market, or both.

It should be remembered, and I cannot emphasize this fact too highly, that income which farmer members of a cooperative receive comes from the prices which the cooperative is able to obtain for them. That is, the members. The greater the cost of operation, the lower the producer's income.

We contend that the statute of limitations in the bill should be reduced to 1 year. We feel that this gives all employees sufficient time in which to institute any suits necessary for the carrying out of the spirit of the act, and therefore recommend that on page 13, line 11, the word "five" be stricken and the word "one" be inserted.

I close by returning to the fundamental philosophy of minimum-wage legislation.

That philosophy is that the best interests of the Nation are served by bolstering the incomes of the lowest-income groups.

In selecting industrial workers for special consideration under this law, care must be taken to avoid undesirable impacts upon low-income groups which are not and cannot be protected by this law.

Agriculture as a whole has formed a large part of the lowest-income group in the Nation for 25 years.

We are now facing the prospect of drastic declines in agricultural income within the next year. It would be unfortunate to enact this legislation in such form as to reduce further agricultural incomes.

That closes my direct statement, sir.

Senator TUNNELL. As I understand, sir, you are not opposed to the theory of the wage-and-hour law.

Mr. HOLMAN. No, sir; we are not opposed to the theory.

We recognize that time changes and that some social legislation has to go on the statutes from time to time. We do think it should be safeguarded and we are in a position here where we would be hurt, and very drastically hurt, should the law, in its present form, be

passed without the reinclusion of the amendments in the form as we have suggested.

Senator ELLENDER. Mr. Holman, have you as yet been able to note any decrease in the price of dairy products since the war has ended?

Mr. HOLMAN. Yes, sir.

The beginning was just a week or two ago, when the Department of Agriculture lowered the price on dry skimmed milk 2 cents a pound. That is the equivalent of 20 cents a hundred pounds in terms of fluid milk going into New Orleans.

Senator ELLENDER. If there is no method by which we can maintain our present price structure, and this bill should go into effect as proposed, and without your amendments, how much would that increase the cost of producing dairy products? Can you give us an idea?

Mr. HOLMAN. It will have to be an off-hand thought here.

Our prices now for labor all the way from around 50 cents an hour up to as high as $1, and our wages for butter makers alone range from $176 to $200 a month.

At the present time in Minnesota, one of the great unions is attempting to organize all of our butter makers who normally are managers, as well as superintendents, of the plants, and who normally are on duty, like I work, all the days of their lives, because they have sense of responsibility, and the man in the community keeps an eye on the plant as long as he is awake and in the neighborhood.

If that butter maker at $176 is cut back to 40 hours, and then time and a half for all the work he has to put in, and you run that scale down the line, you would have a tremendous increase in the cost of production.

Senator ELLENDER. Do you think the industry can now absorb any portion of the costs proposed in this bill without hurting the producers of dairy products?

Mr. HOLMAN. Only the very minimum wage provision. They cannot absorb the provision for skilled workers.

There are some industries we know that could not get along on the new proposed wages. We could get along.

Our position is not that we are advocating, but we will go along with the group in agriculture that is most hurt by the minimum wage. That is our position. We support that group.

If it is cotton, or whatever it may be, or sugar, or something else, we will support it.

If it is a large and comprehensive group, what they can stand, will be our position.

Senator ELLENDER. They would be in the same fix as you are in, and unless they get prices to pay these additional wages their business would simply go by the wayside?

Mr. HOLMAN. They would be in a worse fix for this reason: Let us assume that butter has to take additional raps, and it probably may. Butter has already gone through an evolution whereby much of the butter formerly made from separated cream is now being made from whole milk that is moved into the creamery and there separated and used for whatever may be the best purpose.

If the butter industry cannot afford to pay the wages, those plants will transform into fluid milk plants, or some other kinds of plants that can pay and stand the wages.

We know that is a very different position from some industries that cannot convert like we can.

But damage would be experienced both by the people and the communities that had to shut up the dairy plants and move the milk another 200 miles to some other place in order to be handled—that is, shut up the butter plants or shut up the thousand little cheese factories which have been institutions of the neighborhoods for nearly 100 years, and turning that product into the great plants located miles and miles away.

Senator ELLENDER. Now, Mr. Holman, if these wages should go into effect as written in the bill, without exceptions, has technology in the production of milk products advanced so that you could reduce your cost of production by savings on labor?

That is, by doing the same work with less labor by using mechanization to save on the cost of production?

Mr. HOLMAN. Well, technology has advanced to the point where at the present time our very large combination dairy plants are able to operate comparatively cheaper than the more primitive plants, but following your question through as to how much can the large plant stand in the way of additional increased costs, that is problematical.

If the plant is owned by private capital they would probably go ahead and take it out of the price they pay the farmer.

Senator ELLENDER. The point I want to emphasize is simply this:

If wages are so high that industries can't stand the increase, they would be prone to use machinery to do the work that would otherwise be done by man, and thereby cause unemployment. Isn't that inevitable?

Mr. HOLMAN. It is like asking how many men does it take to handle a Gray-Hensen or one of the other types of dryers.

We have dryers ranging from small ones, 15 feet square, up to as long as this particular room, and it does not appear to take much more labor to handle the large one than the little one.

Senator ELLENDER. And the output of the large one is probably several times that of the small one?

Mr. HOLMAN. The economic evolution would be forcing the dairy plant out of the hands of the small community and small capital, and would force the creation of great combination plants which would require millions of dollars of capital behind them and the industrialization at the expense of labor itself as well as the community.

Senator ELLENDER. That is the point I have been trying to emphasize, and I think that would apply to the dairy industry and would also apply to small industries, and other industries, as well.

Mr. HOLMAN. It could apply to other industries much more easily.

For instance, I am told that rayon and nylon can now be put on the spindles and you go away and leave them and they don't break, whereas, you and I know what has to be done with the spindles in a textile mill.

As a boy I worked in a cotton mill.

Senator TUNNELL. The same argument applies as between a wheelbarrow and an automobile; doesn't it?

Mr. HOLMES. I think so. Line production is the logical end for many industries.

Senator SMITH. Mr. Holman, I gather from your testimony and that of other agricultural witnesses——

Mr. HOLMAN. I am the farmer's hired man, sir.

Senator SMITH. You are really more concerned with the maximum-hour provisions than the actual minimum-wage provision.

Mr. HOLMAN. Definitely, sir.

Senator SMITH. Agriculture is affected definitely by the maximum hour, if overtime means time and a half.

Mr. HOLMAN. But agriculture is also affected by the minimum-wage provisions applicable to plants in the area of production.

Here is a plant in Mankato, Minn., or Green Lake, Wis., where my wife's mother lives, 500 inhabitants, and a creamery there.

Suppose that creamery has to pay 50 or 60 cents an hour for its lowest labor. All the labor on the farms will be affected by it and you can't hold a laborer on the farm.

Senator SMITH. You are only making that argument for the area you are speaking of?

Mr. HOLMAN. That is correct.

Senator SMITH. You don't make it Nation-wide for all industry?

Mr. HOLMAN. That is right.

Senator TUNNELL. We thank you very much for your testimony, Mr. Holman.

We will adjourn at this time until 2:30 .

(Whereupon, at 12 noon, the hearing was recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

Senator TUNNELL. Mr. Parmelee.

TESTIMONY OF JULIUS H. PARMELEE, DIRECTOR, BUREAU OF RAILWAY ECONOMICS, ASSOCIATION OF AMERICAN RAILROADS

Senator TUNNELL. Mr. Parmelee, I believe you represent the railroads?

Mr. PARMELEE. Yes, sir.

Senator TUNNELL. Are you any relation to the fellow that formed the transfer company?

Mr. PARMELEE. No, Senator; not that I know of. If I were I probably would have more money.

Senator TUNNELL. It is the same name.

Mr. PARMELEE. Yes, sir.

Mr. Chairman, I am director of the bureau of railway economics of the Association of American Railroads. That association, as the committee doubtless knows, represents practically all of the larger or trunk-line railroads of the United States.

It had been our hope, Mr. Chairman, to have representatives of railroads in different parts of the country appear before the committee because the railroads in different sections have somewhat different problems.

However, in deference to the desire of the committee to speed up the program, it was determined that I should be the only witness for the railroad industry.

Senator ELLENDER. Who determined that?

Mr. PARMELEE. We did ourselves.

Senator ELLENDER. What was the basis of it?

Mr. PARMELEE. The principal basis was that we understood you wanted to conclude the hearings as rapidly as possible.

So I will undertake to speak for the industry as a whole.

Let me make one further explanation. As I have stated, our association represents, for the most part, the trunk-line railroads, the larger railroads. We do represent virtually all of them. There are in addition several hundred short lines, so-called, little railroads which are important in their respective communities and localities, but which do not bulk very large in the industry as a whole.

I do not speak for those railroads. I am not sure whether they will appear on their own behalf or not. But whatever we say in opposition to the bill as drawn I feel quite sure that they would be even stronger in their opposition and would have even stronger reasons for their position.

However, I do not speak for them this afternoon.

Senator SMITH. Mr. Parmelee, will you file for the record the railroads for whom you are speaking?

(See exhibit A, p. 498.)

Mr. PARMELEE. We can do that, yes, Senator. It is a rather long list.

Senator SMITH. It is the big lines, like the New York Central and the Pennsylvania and the B. & O.?

Mr. PARMELEE. Yes, sir.

Senator ELLENDER. Will you tell us in your statement the approximate number of persons employed by these railroads?

Mr. PARMELEE. Yes, sir.

Senator ELLENDER. Or that would be affected by this bill.

Mr. PARMELEE. I shall do so, Senator, in the course of this statement. And I shall be glad to file a list of the railroads for whom I speak with the committee. It will include about 150 railroad names.

Senator ELLENDER. If you are speaking for them it will be a very important piece of information.

Mr. PARMELEE. I will furnish it for the record.

Senator TUNNELL. Yes, I think you should.

You may proceed, Mr. Parmelee.

Mr. PARMELEE. I appear here, on behalf of the railroads, to oppose the enactment of S. 1349. Before outlining the serious effect such enactment would have on the railroads of the United States, I call attention to certain general considerations which, it seems to us, clearly mark the bill as contrary to the public interest. I will list these considerations briefly, and will then enlarge upon them to the extent that available time will permit.

First, the bill proposes a radical increase in the minimum wage rate, which, as I will endeavor to show, will fall with unequal force on different sections and different industries.

Second, the bill is not so much a minimum wage proposal as it is a proposal to institute, by statutory enactment, a general and Nation-wide increase in the whole industrial wage structure.

Third, the bill is distinctly inflationary in character, and its passage will not only not be beneficial to labor, but will be to the disadvantage of the workers, as well as to all other citizens.

Fourth, this is not the time, during the period of war-to-peace reconversion, to institute so drastic and sudden a change in the general

wage structure. To enact the bill at this crucial period in our economic history would lead almost certainly to unemployment rather than increased employment; and would tend to stimulate a reduction, rather than an increase, in aggregate purchasing power.

These four points will now be considered in somewhat greater detail.

1. Increased wage structure: S. 1349 provides that a wage of 65 cents per hour shall become the statutory minimum, immediately upon enactment. This would be an increase of 25 cents per hour, or 62½ percent, over the statutory minimum of 40 cents that became effective a year ago under the provisions of the Fair Labor Standards Act of 1938.

It is true that in some industries, and in some sections of the United States, actual minimum wages now in effect are greater than 40 cents. This is true also of the railroad industry, where the minimum at the present time, so far as the larger railroads are concerned, is 57 cents per hour, as I shall later outline to the committee.

Nevertheless, any radical increase of this kind, put into effect at a single step by legislative fiat, is bound to create dislocations in those industries and sections which are now on a minimum level of 40 cents or slightly more. Furthermore, it would have widely varying impacts on different industries and sections, insofar as they are now on different minimum levels.

The bill further provides that the proposed minimum shall be increased 5 cents per hour at the end of 1 year, and another 5 cents per hour at the end of 2 years. These increases might even be made at earlier dates. If the step from 40 to 65 cents is a radical change, to go from 40 to 75 cents in the short space of 2 years is even more radical. That would represent an increase of 87½ percent.

As I will point out to the committee, when I come to consider the effect of this bill on the railroad industry, S. 1349 would eliminate virtually all of the differences that now exist, both in minimum and higher levels of wage rates, as between the city and country, as between rural and semirural sections, and as between the several sections of the United States, North, South, East, and West. These differences, which have persisted for many years, and which have a considerable degree of sound economic and social logic behind them, are to be found in the railroad industry, and in many other industries throughout the country. At a later point I will present statistics showing that regional differences exist to a very marked degree in the agricultural industry, where the average monthly wage paid farm labor varies widely as between the several regions of the United States.

I shall point out later, Mr. Chairman, that the reason we mention the farm labor is because the lower rated classes of track labor on the railroads are largely competitive with the farm labor. They work in the same regions and are drawn from the same market.

Senator TUNNELL. Section men?

Mr. PARMELEE. Section men, yes, sir.

In brief, S. 1349 would disrupt many of the elements and relationships of the wage structure now in existence, would bear more heavily on some industries and sections than on others, and would completely wipe out the differences and distinctions in wage rates that have grown up, for one reason or another, over many years. It would, at one sweep, introduce confusing and upsetting elements into a situation which is already replete with complex economic and social questions.

2. The bill proposes a general wage increase: S. 1349 would amend sections 6 and 8 of the Fair Labor Standards Act of 1938 so as to provide that a reasonable wage differential shall be maintained between the minimum wage rates prescribed in the bill, and the wages of interrelated job classifications. This is a general provision, susceptible to a variety of interpretations. However, the intent of the bill is clear, which is to bring about a sharp increase in the minimum wage rates, at the bottom of the scale, and then to carry those wage increases up the scale, through the several wage steps and categories, until the top layer is reached. In other words, a given increase at the bottom would be applied, more or less evenly, to all wage groups.

The underlying purpose, in other words, is not only to bring about a radical increase in the minimum wage scale, but to put into effect, at one stroke and by legislative means, a general and Nation-wide increase in wages.

Regardless of the merits of such a proposal, it is so sweeping in character that it should not be approved without giving the matter much more study than has been or can be devoted to it by Congress at this time. In fact, it is a question whether the matter should be handled as a legislative problem at all, or whether it is not rather an administrative and quasi-judicial question to be delegated for determination by expert boards set up specifically for that purpose.

In any case, we think that Congress should be most cautious about putting into effect such sweeping and large increases in the wage structure as a whole, such as are here proposed, without giving the matter much more comprehensive consideration than has thus far been devoted to it.

3. The bill is inflationary: Proponents of S. 1349 have laid considerable emphasis on the contention that enactment of the bill would help to increase what is generally called mass purchasing power. I take issue with that contention. The bill might, it is true, put additional dollars into the pockets of some workers. At the same time, however, it would most certainly tend to increase commodity prices, and to that extent would prevent purchasing power from being increased, and might even lead to a reduction in purchasing power.

Senator SMITH. That suggests that we couldn't continue price control if that went into effect; is that correct?

Mr. PARMELEE. Absolutely, Senator. I think price control would be absolutely wrecked by the passage of this bill and the effects that would flow from it. That is due to the modifications that would be made in the upper wage brackets as a result of the bill.

Purchasing power is not merely a matter of dollars. It is a measure of what dollars will buy. For example, if wages are increased 25 percent, but at the same time prices go up 35 percent, the number of wage dollars will increase but their purchasing power will decrease. This fundamental point is highly significant, and should be kept in mind in any consideration of wage rates and aggregate pay rolls. In this connection, I commend to you the suggestion made by Mr. L. M. Walling, the Wage and Hour Administrator, in his discussion of this bill before your committee on October 4, to the effect that Congress consult the price-control authorities, with respect to the effect of the proposed minimum wage on prices, before taking action. The effect on prices should be considered, of course, not only with respect to the proposed minimum, but also with respect to the effect of subsequent increases in the higher wage brackets.

As a general rule, wages per unit should not be permitted to outrun production per unit. In other words, if a man increases his output per hour, his wages per hour might be correspondingly increased without affecting prices, other things being equal. However, if his wages are increased at a greater rate than his productive capacity increases, he has more money to spend in relation to the number of units that are produced, and the resulting demand tends to outrun the supply. Such a condition leads directly to inflation, and I have no hesitancy in saying that S. 1349 would be a distinct inflationary step.

Senator SMITH. You don't think then that by increasing the pay of the workers you get more production?

Mr. PARMELEE. Increasing so quickly, Senator. I say later on in the statement that these processes are rather slow. By the slow process of economic evolution and adjustment I think wages can go up, have gone up, and should be brought up.

Senator SMITH. I am glad you bring that out. I think timing is very important. But it has been pointed out that people living under substandard wage conditions aren't as effective workers as people having reasonable living standards and relief from the anxiety and cares at home.

Mr. PARMELEE. That is very true, Senator. I agree with that position fully.

Senator TUNNELL. What position did your organization take on the 40-cent minimum?

Mr. PARMELEE. So far as I know we didn't appear, Mr. Chairman. I had nothing to do with it myself, in any case.

Senator TUNNELL. Were you employed by the same people at that time?

Mr. PARMELEE. I was; yes, sir.

Senator TUNNELL. What was your work then?

Mr. PARMELEE. I was in the same line as at the present time. However, I am engaged sometimes in wage cases and sometimes in rate cases and sometimes in congressional hearings and I don't always appear in these cases.

Senator SMITH. Of course, under our Interstate Commerce Commission set-up the railroads wouldn't suffer from the standpoint of the double squeeze we talk about, because if there were higher wages it would be reflected in their rates; they would get a higher rate allowance.

Mr. PARMELEE. Yes. I mention that in a moment. We are in a rather peculiar position in that the railroad wage bill is rather high relatively in comparison to other industries. We are, of course, restricted as to the prices we can charge, so that we have that double squeeze both ways, and the railroads suffer very quickly as a result of any large increase in wages.

Senator SMITH. You might be forced to request a rate increase, in case this wage raise made it necessary for you to have a rate increase to take care of your total costs.

Mr. PARMELEE. I would be very much afraid of that. I don't want to bring that in as a statement of actual probable facts because we don't know what would happen but it is certainly one of the considerations we have to take into account.

Senator SMITH. Certainly the Interstate Commerce Commission, or any public utility commission, in figuring the rates to the public, has to consider what the wages are, as a part of the cost, before it can determine what the rate shall be. Is that not so?

Mr. PARMELEE. No question about that, Senator.

Senator SMITH. I am not trying to relate this all to the railroad and public utility industries but in those cases the rates to the public are fixed.

Mr. PARMELEE. There is no question about that, Senator. We had that exact experience in the latter part of December 1941. Railroad employees received quite a large wage increase and Pearl Harbor came in at that point, as the committee will recall, and it became necessary for the railroads to go to the Interstate Commerce Commission immediately and ask for increased rates. The Commission expedited the matter and gave them those increased rates within a few weeks.

Senator ELLENDER. Mr. Parmelee, can you tell us what percentage of the railroad cost is represented by labor?

Mr. PARMELEE. Yes, sir. Generally speaking two-thirds of the revenues of the railroads are expended for so-called operaitng costs and two-thirds of the operating costs are represented by labor costs, which means that about 40 percent of the total revenues go to labor directly. That is a somewhat higher average than applies in a good many industries.

Senator SMITH. Generally speaking, Mr. Parmelee, isn't it true that your wage structure has been developed through collective bargaining?

Mr. PARMELEE. Very much so, Senator and, as you know, we have a special legislative and administrative set-up for that specific purpose.

Senator SMITH. Yes.

Mr. PARMELEE. In the long run, it would not be to the benefit of the workers to so increase wages as to bring about increased prices. Such a policy merely tantalizes the workers into thinking that they are betering their economic status, whereas they are actually losing, rather than gaining ground. To lead them into such a position would not redound in the long run to the benefit of labor, of management, of the Congress, or of the public.

4. This is the wrong time: Aside from the fundamental merits or demerits of the proposals contained in S. 1349, I emphasize to the committee that this is the wrong time to effect any such radical measures.

We have just ended two major wars. Both of them collapsed on short notice, and within 3 months of each other. The task of readjustment and reconversion which confronts this country, as a result, is much more serious and much more complex than had been anticipated.

What we need now is not fundamental and sweeping changes in wages, hours, and other elements in the productive process, but to make the transition from war to peace as smoothly and quickly as possible.

Fundamental economic changes of the kind here proposed might possibly be carried out over a period of years, step by step, without upsetting the equilibrium between production and distribution, supply and demand, wages rates and prices. To make such a step all at once would be unwise at any time. To make it at this particular time, during a period of readjustment and reconversion, would be, in my opinion, the height of economic and social unwisdom. Industry must absorb the many war production workers who are being released

from their wartime jobs, and at the same time must be prepared to make a place for millions of returning veterans, whose claims on the economy should be met as quickly and fully as practicable. These tasks, of absorbing millions of workers of the two classes I have mentioned, difficult as they are, should not be made more difficult by the passage of such a measure as this.

Another result of the bill, at a time when employers are struggling with the necessity of fitting higher wages into a pattern of stabilized prices for their products, would be to drive those same employers to mechanization of their plants and their methods. Machines would take the place of men, because the cost of operating machines can be determined rather accurately in advance, and the cost of machine production can be calculated. Further mechanization, both in the railroad industry and in manufacturing generally, would lead to what is known as technological unemployment, which would benefit neither the workers themselves, nor their employers, nor the public in general.

In brief, we are wholly sympathetic with the desire of Congress, and of labor and management, to maintain employment in the United States at the highest possible levels, both in this difficult transition period of reconversion, and in the longer postwar period that lies ahead of us. Anything that would interfere with the program of building peacetime employment up to the highest attainable levels should be looked upon with great reserve. S. 1349 would definitely provide such an interference with the orderly process of attaining a satisfactory postwar employment situation.

Senator SMITH. You think this might close down a number of industries because of the squeeze?

Mr. PARMELEE. Yes. It certainly would apply to the railroad industry. Mechanization of the railroad industry offers one way out of the burden of higher wages, which we do not like to contemplate, but that has been true in the past and it is also a possibility in the future, and it is certainly one of the things to consider in connection with sudden large increases in wages.

Senator SMITH. I am glad to note that you emphasize the importance of maximum employment at this time in the reconversion period.

Mr. PARMELEE. Yes.

Senator SMITH. Of course, I think you would probably agree that the standard of living has got to be consistent with a solid economic foundation.

Mr. PARMELEE. I think so, Senator. May I add this comment. It has always seemed to me that minimum wages, so far as they are put into effect by legislative action, should be placed at a rather low level. By that I do not mean that I want to see sweatshop wages, or anything of that sort, but so far as legislative action is concerned I think they should be placed as low as may be necessary to keep people on something more than a subsistence level of living and wages generally should be above that point.

The normal economic process of collective bargaining, competition, and other things ought to enter in and raise the wages to whatever whatever point may be advisable and possible, but by the process of free enterprise and competition and fair play and not necessarily by legislative fiat.

I want to make myself very clear on that point.

Senator SMITH. You probably would favor the lowest possible prices of things produced as well as railroad transportation so that all the population could get the benefit of the spread of low prices?

Mr. PARMELEE. Absolutely, Senator Smith.

I proceed now to a consideration of some of the effects enactment of S. 1349 would have on the railroad industry, on its ability to maintain employment, and on its postwar traffic and revenue prospects.

You will agree, I am sure, that railroads occupy an important place, both in the national economy and in the transportation field. You will also agree that it is in the public interest that the rail industry should be in postwar position to serve the public adequately and at the lowest possible rates, at the same time supplying to railroad labor the greatest possible number of regular job opportunities.

Minimum wage paid rail track labor: I consider first the existing minimum wage on the railroads. In that industry, for the railways for whom I speak, the present minimum wage, generally speaking, is 57 cents per hour. This rate has been in effect, by mediated agreement, since December 27, 1943.

Mr. Chairman, I have handed to each member of the committee a series of seven tables numbered from 1 to 7. I would like to comment on each of those tables, if I may, briefly, as I go along, and I shall refer to them by number, if I may.

Senator ELLENDER. They will be placed in the record at the point at which they are referred.

Mr. PARMELEE. Thank you.

Senator ELLENDER. In connection with your testimony.

Mr. PARMELEE. Thank you.

Table 1, which I now present to the committee, shows the trend in the minimum wage paid by railways of class I as of various dates since the passage of the Fair Labor Standards Act of 1938.

TABLE 1.—*Minimum wage rate since passage of Fair Labor Standards Act in 1938: Railways of class I in the United States*

	Minimum rate per hour (cents)	Minimum straight-time earnings for 204 hours per month
Fair Labor Standards Act:		
Oct. 24, 1938	25	$51.00
Oct. 24, 1939	30	61.20
Mar. 1, 1941	36	73.44
Mediated settlements:		
Dec. 1, 1941	46	93.84
Dec. 27, 1943	57	116.28

Under the terms of that act, the minimum wage became 25 cents per hour on October 24, 1938, 30 cents per hour on October 24, 1939, and 36 cents per hour on March 1, 1941. This rate of 36 cents was recommended by an industry committee and applied to trunk-line railroads, while the minimum, effective March 1, 1941, for the so-called short-line railroads was 33 cents per hour.

In other words, the short-line railroads were given a rate 3 cents less than the trunk-line railroads, and in that very action recognition was given to the fact that most of the short-line railroads operate in

country or rural sections away from the large cities, and that costs of living and other standards are somewhat different on those lines than on the trunk lines.

Senator SMITH. Wasn't that progressive rise due to the Fair Labor Standards Act?

Mr. PARMELEE. Yes, sir.

Senator SMITH. The act did stimulate that rise.

Mr. PARMELEE. All of these steps took place under the terms of the act, Senator.

By mediated settlement, the minimum wage rate became 46 cents on December 1, 1941, and, as already stated, rose to 57 cents, effective December 27, 1943.

Senator ELLENDER. Mr. Parmelee, what effect did these mediated settlements have upon the railroad rates?

Mr. PARMELEE. As a result of the 1941 increase, there was an increase in freight and passenger rates. The freight rate increase, however, has been taken off by order of the Interstate Commerce Commission and is no longer in effect. It has been suspended. The passenger increases are still in effect.

Senator ELLENDER. How about when it was increased in December 1943, to 57 cents?

Mr. PARMELEE. There has been no increase in rates since this time.

Senator ELLENDER. You mean 1941 or 1943?

Mr. PARMELEE. Since 1943. That has been partly due to the fact that because of the war the railroads have had all of the business they could handle and they didn't have to worry a great deal about their expenses. However, as I will point out, we are facing a different situation at the present time.

Senator TUNNELL. On October 24, 1938, the minimum wage was 25 cents?

Mr. PARMELEE. Under the terms of the Fair Labor Standards Act; yes, sir.

Senator TUNNELL. And on December 27, 1943, by mediated settlement, the minimum rate was 57 cents.

Mr. PARMELEE. Yes, sir.

Senator TUNNELL. Or a rise of the difference between 25 cents and 57 cents, between October 24, 1938, and December 27, 1943.

Mr. PARMELEE. Yes, sir.

Senator TUNNELL. Or 32 cents in 5 years.

Mr. PARMELEE. Yes, sir.

Senator TUNNELL. You say you are paying 57 cents now and if you should within 3 years raise the standard to 75 cents you would be raising it 18 cents, wouldn't you?

Mr. PARMELEE. As far as the minimum wage is concerned; yes, sir.

Senator TUNNELL. Well, then, it is only about 6 cents per year.

Mr. PARMELEE. Let me call your attention, Senator Tunnell, to the fact that of this increase in the last 6 years that you speak of, 21 cents was obtained by mediation and collective bargaining and not by law.

Senator TUNNELL. I am talking about the ability to pay.

Senator SMITH. You mean the rate of increase.

Senator TUNNELL. Yes, the rate of increase and the length of time that it took to go up 32 cents.

Mr. PARMELEE. On the basis of a 25½ work-day month, a railway employee receiving no more than the minimum rate of 57 cents per

hour would earn a straight time wage of $116.28 per month, as shown in table 1. This is in contrast with minimum straight time monthly earnings of $51 per month in 1938. Thus the minimum rate of pay has already more than doubled minimum earnings in the railroad industry since the first such rate was prescribed by the Fair Labor Standards Act of 1938. It has, in fact, increased 128 percent.

That, however, applies only at the minimum. I want to make that very clear. And I am going to also be very emphatic to you about all the increases which would take place above the minimum, all the way up the scale, if the minimum wages that are here proposed should be made effective.

Number of railway employees now receiving less than 65, 70, or 75 cents per hour: As of October 1942 my office made a special study as to the number of railway employees receiving various wage rates. During that month railways of class I in the United States had a total of 1,472,434 workers in their pay roll.

You asked me, Senator Ellender, about the number of railroad employees involved. They number almost exactly the same today as in October 1942.

Reclassifying those workers according to the present wage scale, the following results are obtained. If the minimum wage in the railroad industry is raised to 65 cents per hour, the increase would directly affect 255,813 employees of railways of class I. If the minimum is raised to 70 cents per hour, 426,295 employees would be directly affected, and at a minimum rate of 75 cents, 475,000 employees would be directly affected.

Table 2, which I now submit to the committee, shows the approximate number of employees of railways of class I receiving less than 65, 70, and 75 cents per hour, based on the number in service in October 1942.

(Table 2 is as follows:)

TABLE 2.—*Employees receiving less than 75 cents per hour: Railways of class I in the United States*

	Number	Annual cost to establish minimum of—		
		65 cents	70 cents	75 cents
Receiving less than—				
65 cents	256,000	$34,200,000		
70 cents	426,000		$75,800,000	
75 cents	475,000			$127,200,000

Mr. PARMELEE. Based on the average number of hours of service rendered in October 1942 it would cost the railroads not less than $34,200,000 per year if the minimum rate were set at 65 cents per hour, would cost not less than $75,800,000 per year if the minimum rate became 70 cents per hour, and would cost not less than $127,200,000 per year at a minimum rate of 75 cents per hour.

Senator ELLENDER. That is only the minimum rate. You don't take into consideration the effect that the bill would have by the raising of the rates in the upper brackets?

Mr. PARMELEE. That is it exactly, and that is why, in the next paragraph, I point out that that would be just the starter. How many

millions of dollars would be involved no one could say, but we know it would be several times the amount involved at the minimum.

I say "not less than" $127,200,000 per annum, because any increase in the present minimum rate would, under the terms of the proposed amendment to section 8, unquestionably be followed by a great deal of pressure, on the part of other employee groups than those affected, to maintain the spread or differential between classes of employees in various job classifications. I will discuss this feature later in my statement.

Farm labor: The Fair Labor Standards Act of 1938 specifically exempts farm labor from its provisions, and the same is true of S. 1349.

As the largest proportion of railway track workers live and work in rural communities, many of them are recruited in rural areas, and many of them come from the farms. The farmers, therefore, are in direct competition with the railways for labor. As a matter of fact, some men work on railroad track maintenance part of each year and do farm work for the balance of the year.

My table 3 shows the average wage paid to farm labor, without board, as reported by the U. S. Department of Agriculture for the month of July 1945. For the country as a whole farm labor receives an average of $99 per month. In the East South Central region the average wage paid to farm labor, without board, was $53.50 per month during July 1945; in the South Atlantic region it was $59.40 per month; in the West South Central region $80.10 per month; and in the East North Central region $100 per month.

(Table 3 is as follows:)

TABLE 3.—*Average wage rates paid to farm labor (without board), month of July 1945*

Region:	*Per month without board*
East South Central	$53. 50
South Atlantic	59. 40
West South Central	80. 10
East North Central	100. 00
Middle Atlantic	110. 00
West North Central	115. 00
New England	126. 00
Mountain	143. 00
Pacific	182. 00
Average United States	$99

Source: U. S. Department of Agriculture—Crops and Markets—July 1945, p. 129.

Mr. PARMELEE. I have already shown that the present effective minimum wage for railway track labor—57 cents an hour—produces a straight-time monthly earning of $116.28. This railway minimum rate is effective in all regions of the United States. It is effective in the East South Central region, where it is now more than twice as great as the average wage rates of farm labor in that territory. Furthermore, the railroad minimum is much higher than the average wage rates of farm labor in the South Atlantic, West South Central, and East North Central regions. It is higher than the average farm rate in the Middle Atlantic region and is higher than the average for the whole United States by 18 percent. It should be noted, also, that the minimum wage for railroad labor is calculated on the basis of an 8-hour day for 25½ days per month, which represents a smaller

amount of service time than usually applies in the case of farm labor.

This table suggests two comments: First, there is a wide variation in farm wage rates between the several sections of the United States, ranging from a minimum of $53.50 per month to a maximum of $182 per month, the maximum being more than three times as high as the minimum. This raises the question as to why such wide differences are to be found in a major industry such as agriculture, and whether it is wise to legislate uniformly high scales of pay, applied on a Nation-wide basis, in such other industries as manufacturing and the railroads. Second, inasmuch as farm labor and railroad track labor are to a certain degree competitive, why make it more difficult for farmers in some regions to get and keep an adequate supply of labor by increasing the already large margin between the wages they are paying and those the railroads are required to pay?

In the State of Delaware, Senator Tunnell's State, the average wage of farm labor, according to the statement I have here, was $92 last July.

Senator TUNNELL. It says on the table "Middle Atlantic States, $110."

Mr. PARMELEE. That was the average for that section of the United States as a whole.

Senator TUNNELL. I see.

Mr. PARMELEE. In the State of Vermont, represented by Senator Aiken, it was $110. And in your State, Senator Ellender, it was $56.

Senator SMITH. Showing the difference between Vermont and Louisiana.

Senator ELLENDER. But you don't grow sugarcane and cotton up there.

Mr. PARMELEE. The message transmitted by the President to the Congress on September 6, 1945, recommended

> that Congress amend the Fair Labor Standards Act by substantially increasing the minimum wage specified therein to a level which will eliminate substandards of living.

The recommendation of the President did not indicate to what level he believes the minimum wage rate should be raised.

Senator TUNNELL. Let me say, in reference to what you said about Delaware; I am interested in farming myself, and in Delaware I don't know of a single person that has a farm laborer or can get one.

Mr. PARMELEE. At any rate?

Sentor TUNNELL. At any rate.

Senator SMITH. That is the position we are in in New Jersey. All the farmers there are asking for farm labor. They want to know why we can't get the men out of the Army so that they will come back and get the crop out.

Senator TUNNELL. That is right.

Mr. PARMELEE. On that same date—September 6—the Economics Branch of the Wage and Hour Division, United States Labor Department, issued a study, without specific recommendations, indicating the advisability of some increase in the present statutory minimum wage rate of 40 cents per hour. That study was entitled "Summary of Statistical Materials Bearing on Proposals for Revising the Minimum Wage Provisions of the Fair Labor Standards Act."

The Labor Department's study, among other things, pointed out the following, on page 1:

> By June 1945, the Bureau of Labor Statistics index of the cost of living in large cities had increased 29 percent over the 1935–39 level, so that (as measured by the index) an average of 51.6 cents an hour would be required—with the same number of hours worked per week—to obtain the same living standard of living that the Congress envisaged for a 40-cent per hour level. Actually somewhat more would be required (abut 55 cents an hour) because of (*a*) a small downward bias of the BLS index and (*b*) the relatively much greater rise in food and low-priced clothing costs, items which form a relatively greater part of the budget of low-wage families.

Senator SMITH. Are we to imply from your quotation that you might approve a 55-cent figure as a starter?

Mr. PARMELEE. I wouldn't go that far, Senator. I would say that a 55-cent rate would not hurt the railroads, but any increase in the minimum wage which might affect the railroads might also be translated into higher wages in the upper brackets. The railroads could not honestly complain of 55 cents because they are above the 55-cent level now. If you ask my opinion as an economist, however, entirely apart from any representation of the railroad industry, I would not put the rate higher than 50 cents at the present time, leaving for the future, further steps to be taken.

Senator SMITH. Do you advocate legislating now for the future to provide for successive raises of 5 cents a year?

Mr. PARMELEE. I think it would be extremely dangerous, especially at this time, immediately after the war and not knowing what the next few years are going to bring. I think it would be great mistake to legislate anything by steps for the future. I think the Congress can take this question up at anytime it chooses to do so, and can put a moderate increase in, and then reconsider the matter as conditions warrant.

Senator TUNNELL. All legislation being for the future, don't you think it would be a good thing for Congress to go home, under your theory?

Mr. PARMELEE. No, Senator, I do not think so. I think on the contrary that is the very reason that the Congress should stay and meet existing conditions.

Senator TUNNELL. From day to day?

Mr. PARMELEE. Suppose you put in a fairly large increase in the minimum wage at this time and certain step-ups for the next 5 years, and at the end of 5 years prices go down very materially. We don't know whether they will go up or down. You would have put in those minimum wages and you would be caught. You would have assumed, 5 years back, that prices were going to go up or remain stable, and instead of that they go down. In other words, these conditions have to be met as they develop.

Senator ELLENDER. Mr. Parmelee, don't you think that it would be to the advantage of labor as a whole to try and maintain the basic increases in wage rates per hour that it has obtained during the war and let it go at that for some time?

Mr. PARMELEE. If it is possible to do so and maintain production and employment; yes, sir.

Senator ELLENDER. The quotation that you have just read states, as I understand it, and as it has been interpreted by several witnesses, the 55-cent rate is about the rate per hour that the existing price structure could bear.

Mr. PARMELEE. It puts the wage on about the same living level that 40 cents was in the prewar period.

Senator ELLENDER. Yes; and that is considering, of course, the increased cost of living in that period.

Mr. PARMELEE. That is right.

Senator ELLENDER. Now, to raise it higher than that, to as much as 65 cents to 75 cents in 3 years, as the bill provides, it goes without saying that it would certainly do violence to the present price structure, and industry would be obliged to increase prices so as to meet this increased cost of production.

Mr. PARMELEE. You might very easily have to do so; yes, sir.

Let me again emphasize that there is a difference, in my opinion, in what you legislate as wages and what an industry, in an agreement between it and its employees, regards as proper wages that that industry can afford.

Senator TUNNELL. Which draws the more money out of the bank, 65 cents agreed on or 65 cents legislated?

Mr. PARMELEE. There is not a bit of difference, so far as the money in your hand is concerned. There may be a great difference in the impact on the whole of industry and on the whole people.

Senator SMITH. And the buying power of the dollar.

Mr. PARMELEE. Yes, sir.

Senator TUNNELL. I can see how you can imagine such a thing but I haven't heard from your testimony why you think so.

Mr. PARMELEE. I think so, because I do not think we can foresee the future. I don't think any of us will venture to say what the future is going to bring, whether prices are going to go up or down.

Senator TUNNELL. And you resolve all of those things against labor?

Mr. PARMELEE. Not at all, Senator. All I am suggesting is that Congress should go rather slowly and step by step and meet conditions as they arise. You are in session here practically all the time. You can modify these statutes anytime you see fit. It is far better to meet the situation as it arises than to make a long step-up now, and then realize later that it might have been too long.

Senator TUNNELL. Is that consistent with your theory that if we legislate now that it precludes future amendment?

Mr. PARMELEE. I think the committee would agree with me, Mr. Chairman, that it is very easy to raise these rates but would be extremely difficult to lower them at some other date.

Senator TUNNELL. I think it would be.

Senator SMITH. The chairman has suggested that you were resolving the points against labor. Of course, I would disagree with that, because it seems to me that labor is interested first in jobs and secondly in prices.

Anything that may tend to affect either one of those things in the long run is going to cause the worker to suffer. Great inflation or great unemployment would be disastrous to our whole program to raise the standard of living of our people.

Mr. PARMELEE. I think you are right. That is why I think it is wise to make haste slowly, particularly at this time.

Senator TUNNELL. If I agreed with you gentlemen, I should favor reducing wages as much as possible to get this ideal condition.

Mr. PARMELEE. If prices went down at the same time, perhaps we would all be just as well off.

Senator TUNNELL. Yes. I say, if I believed what you gentlemen do, that is what I would favor.

Mr. PARMELEE. Do you know that prices are going to go down?

Senator TUNNELL. No; but neither do you.

Senator SMITH. I want to better the living conditions of the worker. We have got to consider the effect on production and what it costs people to buy things and to give them a satisfactory standard of living. They have to have good clothing, food, and shelter. If prices go skyrocketing they cannot possibly raise the standard of living.

Senator TUNNELL. You and the witness are resolving all of those points against labor.

Senator SMITH. No. I am not arguing for a low wage. I am saying that those things have to be considered as well as the dollar wage. I haven't come to a conclusion as to what the right figure is. I am definitely in favor of a minimum wage. I am in favor of making it as high as we can.

Mr. PARMELEE. I do not think we should take this long step until we know better what the future will bring forth.

Senator TUNNELL. How will we ever know what the future will bring forth? We are not fortune tellers who can look into the future.

Mr. PARMELEE. I think, Mr. Chairman, that wage rates should be settled to a large extent by agreement, collective bargaining, by the various economic processes which we have under existing enterprise. It seems to me that we ought to leave the matter to be determined by the usual economic processes. If they don't go fast enough, Congress can step in and assist the procedure, but not by a long step into the future when the future is extremely uncertain.

Senator TUNNELL. Don't you think it will always be uncertain?

Mr. PARMELEE. Yes; but particularly at this time, I would not recommend a long or radical step.

Senator TUNNELL. From the 25 cents in 1938 to what you are now paying is a 32-cent raise.

Mr. PARMELEE. That is right.

Senator TUNNELL. In 5 years.

Mr. PARMELEE. We have been through a great war and a great many things have gone more rapidly than under normal conditions, but that is no reason why we should continue this process into this transitional period.

Senator ELLENDER. Let me pose this question: If, during the war, with full employment and the Government purchasing 50 percent of our agricultural and industrial production, Government agencies didn't see fit to raise the minimum to more than 55 cents an hour, how can Congress fix it at 65 cents to 75 cents in 3 years?

Mr. PARMELEE. That is a good point. I did not intend to mention it, but I have been sitting in War Manpower Commission meetings as one of the management representatives. We have had this question before us over and over again and, as you point out, the War Labor Board never did put in an order for even a 50-cent minimum throughout the country. They did get at it in a round-about way by making it a regulation, through the War Manpower Commission, that if a man was getting less than 50 cents, and he wanted to go to another job where he could get 50 cents, he could get his statement of availability and go. It was simply a condition where a man could get 50 cents if he could get a job.

Senator ELLENDER. What was the reason for not suggesting more than 50 cents?

Mr. PARMELEE. The rule was put into effect by the War Labor Board. The War Manpower Commission carried out the regulation. They were the ones who controlled the movement of labor from one industry to another or from one job to another. I can't give you the reasons why the War Labor Board took the position they did. That was a time when labor was in tremendous demand. If there was any excuse to go up to 65 or 75 cents minimum, that was the time.

Senator ELLENDER. As one witness testified, as I recall, if the minimum was raised greater than 55 cents per hour, it would have affected the rates in the upper brackets and with that it would have been necessary to amend the entire price structure.

Mr. PARMELEE. Yes.

Senator ELLENDER. And that would have been inflationary, as he put it.

Mr. PARMELEE. Yes.

Senator ELLENDER. Would that have occurred?

Mr. PARMELEE. Yes; I think so.

The Wage Stabilization Division of the National War Labor Board has prepared a table showing the distribution of nonagricultural employees in the United States according to straight-time wage rates as of January 1944. This table appears at page 34 of the Labor Department study to which I have referred, and is summarized in my table 4, which I now present to the committee. It shows that of 27,688,000 nonagricultural employees in the country, 6,029,000, or 21.7 percent, received less than 50 cents per hour in January 1944, and 9,504,000, or 34.3 percent, received less than 60 cents per hour.

(Table No. 4 is as follows:)

TABLE 4.—*Estimated frequency distribution of nonagricultural employees by straight-time wage rates as of January 1944*

Hourly rate	Number	Percent	
		Simple	Cumulative
Under 20 cents	96,000	0.3	0.3
20 cents and under 30 cents	696,000	2.5	2.8
30 cents and under 40 cents	2,211,000	8.0	10.8
40 cents and under 50 cents	3,026,000	10.9	21.7
50 cents and under 60 cents	3,475,000	12.6	34.3
60 cents and under 70 cents	2,900,000	10.5	44.8
70 cents and under 80 cents	2,635,000	9.5	54.3
80 cents and under 90 cents	2,914,000	10.5	64.8
90 cents and under $1	2,388,000	8.6	73.4
$1 and under $1.10	2,310,000	8.3	81.7
$1.10 and under $1.20	1,559,000	5.6	87.3
$1.20 and under $1.30	1,241,000	4.5	91.8
$1.30 and under $1.40	831,000	3.0	94.8
$1.40 and under $1.50	513,000	1.9	96.7
$1.50 and under $1.60	692,000	2.5	99.2
$1.60 and under $1.70	107,000	.4	99.6
$1.70 and under $1.80	51,000	.2	99.8
$1.80 and under $1.90	12,000	.2	100.0
$1.90 and under $2	10,000		
$2 and under $2.10	7,000		
$2.10 and over	14,000		
Total	27,688,000	100.0	

Source: Summary of Statistical Materials Bearing on Proposals for Revising the Minimum Wage Provisions of the Fair Labor Standards Act, U. S. Department of Labor, September 1945.

Mr. PARMELEE. Manufacturing employees, of course, comprise the largest single group of all nonagricultural workers. The Department of Labor has estimated that, in the summer of 1945, 3 percent of all manufacturing employees received a straight-time rate of pay under 50 cents an hour; 9 percent were under 55 cents; 13 percent were under 60 cents; 20 percent were under 65 cents. This distribution is shown in my table 5.

(Table No. 5 is as follows:)

TABLE 5.—*Distribution of manufacturing wage earners in the summer of 1945*

Straight-time hourly rate	Number	Percent	
		Simple	Cumulative
40 cents and under 50 cents [1]	330,000	3	3
50 cents and under 55 cents	740,000	6	9
55 cents and under 60 cents	490,000	4	13
60 cents and under 65 cents	800,000	7	20
65 cents and under 70 cents	600,000	5	25
70 cents and under 80 cents	1,400,000	12	37
80 cents and under 90 cents	1,460,000	12	49
90 cents and under $1	1,450,000	12	61
$1 and under $1.10	1,230,000	10	71
$1.10 and under $1.20	1,010,000	8	79
$1.20 and under $1.30	920,000	7	86
$1.30 and under $1.40	620,000	5	91
$1.40 and under $1.50	410,000	3	94
$1.50 and under $1.60	280,000	2	96
$1.60 and over	460,000	4	100
Total	12,200,000	100	

[1] Includes a few workers receiving less than 40 cents an hour.

Source: Summary of statistical materials bearing on proposals for revising the minimum wage provisions of the Fair Labor Standards Act, U. S. Department of Labor, September 1945.

Mr. PARMELEE. By major industry groups, the Labor Department study, which I have already cited, showed that 58 percent of the workers in the tobacco industry received less than 65 cents per hour. The number of workers receiving less than 65 cents in other manufacturing industries is shown by my table 6.

(Table 6 is as follows:)

TABLE 6.—*Proportion of the workers in various industries receiving less than 65 cents an hour*

Industry group:	*Percent earning less than 65 cents an hour*
All manufacturing	20
Tobacco	58
Lumber and timber	54
Textiles	47
Apparel	38
Furniture	37
Leather	30
Paper	30
Food	28
Stone, clay, and glass	27
Electrical equipment	22
Printing and publishing	21
Chemicals, petroleum, and coal products	16
Rubber	13
Nonferrous metal	8
Iron and steel	7
Machinery	4
Transportation equipment	less than .5

Source: Summary of statistical materials bearing on proposals for revising the minimum wage provisions of the Fair Labor Standards Act, U. S. Department of Labor, September 1945.

Mr. PARMELEE. That is shown not so much in number as percentage; the percentage of total number of employees in the respective industries who were receiving less than 65 cents.

The conclusion seems clear that wages are necessarily higher in some regions of the country than in other regions, and in some industries than in others, due to their respective locations and conditions. It follows that a minimum wage rate greatly in excess of the present statutory minimum of 40 cents an hour should not be legislated for the country as a whole and indiscriminately for all industries.

Senator SMITH. That leaves a little leeway to increase beyond 40. You could bring it up to 50, as you said before.

Mr. PARMELEE. Yes. When I refer to a 50-cent rate, I am not speaking for the railroads. I was indicating my own personal view in the matter. The attitude of the industry is that they are opposed to the provisions of S. 1349 as it stands today.

Avoidance of technological unemployment: Section 8 of the Fair Labor Standards Act of 1938 contained a definite provision designed to avoid technological unemployment. Section 8 of the bill here under consideration recognizes that increases in rates of pay may substantially curtail employment; that increases in pay should be subordinated to maintenance of employment; that an upward adjustment of the minimum wage should not be at the expense of the workers.

We will shortly be confronted with a sizable number of unemployed. It has been estimated that we may expect unemployment to reach a peak of from 8 to 10 million by March 1946.

Senator TUNNELL. Is it estimated that that will be of long standing?

Mr. PARMELEE. That is an estimate of the War Manpower Commission——

Senator TUNNELL. Is it estimated that that will be of long standing?

Mr. PARMELEE. I was going to say, Senator, that is an estimate of the War Manpower Commission * * *. They report to our committee every 2 or 3 weeks when we meet—so far as I know, they haven't made any estimate beyond March.

Senator TUNNELL. Isn't it your understanding that they believe that to be a temporary condition in the reconversion period?

Mr. PARMELEE. That is their hope. That is the hope of all of us, of course.

Senator TUNNELL. Yes.

Mr. PARMELEE. The effect on maintenance of employment of fixing a substantial increase in pay by statute, as here proposed, should be given serious consideration. It was given such consideration by the Industry Committee that, in 1940, they recommended a minimum wage of 36 cents for the railroad industry. Elaborate testimony was submitted to that committee by the railroads, showing that increased wages in the railroad industry have always resulted in increased use of power machines and tools, thus leading to technological unemployment. The committee was so impressed by this showing that they set the minimum at 36, rather than 40, cents per hour.

No one doubts the fact that as wage rates advance, technology comes into play more rapidly than otherwise. Surely, with the employment problems now ahead of us, we can join in the hope that this Nation will maintain a high volume of private production, at the highest

levels of employment. Any substantial increase in the wage structure will tend to defeat such a program, by stimulating the introduction of labor-saving devices, and by thus creating technological unemployment.

Proposed amendment to section 8: Readjustments above the minimum.

S. 1349 proposes that section 8 of the Fair Labor Standards Act be amended as follows:

> The industry committee shall further define such reasonable job classifications within such industry or subdivision thereof and shall recommend minimum wage rates for such job classifications (other than unskilled job classifications) at such levels as it determines to be necessary for the purpose of maintaining reasonable wage differentials between the minimum wage recommended by it for unskilled job classifications and the wage rates for interrelated job classifications in such industry or subdivision thereof.

As I said earlier, that is a very unclear sort of statement and it is subject to a variety of interpretations, but there it is; that is what it is in the bill at the present time.

This proposed amendment places this bill—S. 1349—in the category of a general-wage-increase bill.

Table 5, which I have already submitted to the committee, showed the distribution of wage earners in manufacturing industries by hourly wage rates, in the summer of 1945. What effect would this proposed amendment to section 8 have on those employees? Of course, no one can tell with certainty, but table 5 shows that of the 12,200,000 wage earners in manufacturing industries, 6,940,000 workers received between 60 cents and $1.10 per hour, and that those workers were rather evenly distributed over rate intervals of 10 cents per hour. Thus, 1,400,000 workers received from 60 to 70 cents; another 1,400,000 received from 70 to 80 cents; another 1,460,000 received from 80 to 90 cents; another 1,450,000 received from 90 cents to $1; and another 1,230,000 received from $1 to $1.10 per hour.

It is reasonable to anticipate that if the minimum wage rate is increased to as much as 65, 70, or 75 cents an hour, other employee groups will demand a similar increase in pay so as to maintain what they consider a reasonable differential.

We have a similar situation existing in the railway industry. My table 2, which I discussed earlier in my statement, showed the number of railway employees receiving less than 75 cents an hour. I now submit table 7, which shows the number of railway employees, exclusive of train and engine service forces, by rate ranges from 75 cents to $1 per hour.

(Table 7 is as follows:)

TABLE 7.—*Railway employees, by rate ranges, receiving 75 cents to $1 per hour: Class I railways in the United States (excluding train and engine forces)*

Hourly rate	*Number*
75 cents but less than 76 cents	11, 791
76 cents but less than 77 cents	12, 275
77 cents but less than 78 cents	21, 868
78 cents but less than 79 cents	23, 314
79 cents but less than 80 cents	24, 846
80 cents but less than 81 cents	16, 605
81 cents but less than 82 cents	34, 813
82 cents but less than 83 cents	27, 753
83 cents but less than 84 cents	21, 646
84 cents but less than 85 cents	14, 721
85 cents but less than 86 cents	14, 184
86 cents but less than 87 cents	14, 566
87 cents but less than 88 cents	15, 760
88 cents but less than 89 cents	12, 793
89 cents but less than 90 cents	14, 056
90 cents but less than 91 cents	11, 586
91 cents but less than 92 cents	11, 898
92 cents but less than 93 cents	13, 064
93 cents but less than 94 cents	8, 145
94 cents but less than 95 cents	12, 191
95 cents but less than 96 cents	11, 437
96 cents but less than 97 cents	11, 512
97 cents but less than 98 cents	28, 925
98 cents but less than 99 cents	25, 147
99 cents but less than $1	16, 560
Total	431, 456

TABLE 7.—*Railway employees, by rate ranges, receiving 75 cents to $1 per hour: Class I railways in the United States (excluding train and engine forces)*—Con.

Mr. PARMELEE. The committee will notice in looking at table 7, the last column, showing the number of men receiving the several rates of pay from 75 cents up to a dollar, that the numbers are fairly evenly distributed. It is to be expected, I think if the minimum wage is increased, that all of these differentials, even these penny differentials between different groups of railroad employees, would have to be maintained. At least labor would put the pressure on management, to do that. The amount of money involved is incalculable.

Senator TUNNELL. Could you tell us in what classes those were?

Mr. PARMELEE. It was quite general all the way down the line, in the train and engine forces, in the maintenance of equipment and maintenance of way, and all the way down the line.

Senator TUNNELL. I have noticed that the railroad rights-of-way have grown up in grass and weeds, even on much used railroads, and I was wondering whether it was because you couldn't get the section hands.

Mr. PARMELEE. That has been true in the past 2 or 3 years in particular; yes, sir.

Senator ELLENDER. Has there been any increase in the employment of railroad workers during the war?

Mr. PARMELEE. Yes; we have gone up from about a million to almost a million and a half during the last 3 or 4 years.

Senator ELLENDER. I thought you could not obtain more labor?

Mr. PARMELEE. Well, we got those men. We could have used a great many more, Senator.

Senator ELLENDER. Have you the figures available to show what the number was when the war started and then the increase during the war?

Mr. PARMELEE. Yes, sir. This is a reference to what the Interstate Commerce Commission calls railroads of class I. Those are the so-called million-dollar railroads, each of whom takes in a million dollars or more per year in revenues. But that represents about 95 percent of the whole railroad industry, so that it is representative.

Senator ELLENDER. Yes.

Mr. PARMELEE. The number of employees on railroads of class I in 1938 was 939,000; in 1939, it was 988,000, still less than a million; in 1940, it was 1,027,000; in 1941, it went up to 1,140,000; in 1942 it was 1,271,000; in 1943, 1,350,000, and in 1944, 1,414,000, and this year we

have been up above 1,450,000. I can't give you the exact figure for this year but it has been in the neighborhood of 1,450,000. So there has been an increase of almost a half a million since 1939.

Senator TUNNELL. The difference between what you employed in the First World War and the 1,450,000, the decrease was generally in what classes of workmen?

Mr. PARMELEE. You mean where has the decrease occurred?

Senator TUNNELL. Yes.

Mr. PARMELEE. I think it has been quite general.

Senator TUNNELL. Due to increased mechanization, such as better track and more powerful engines, did that have anything to do with it?

Mr. PARMELEE. Almost everything to do with it, Senator. That is the very point I am trying to make here. I am going to make it in just a minute, if I may, and that is that because of the greatly increased wage rates which have been paid, the railroads have been driven to mechanization and they have been obliged to reduce their forces as a result.

Senator TUNNELL. You used to have a 90-pound rail?

Mr. PARMELEE. It ran from 60 to 90 pounds.

Senator TUNNELL. What have you now?

Mr. PARMELEE. The average is well over 90 now. We go up to 130 and 150 pounds.

Senator ELLENDER. I do not want to anticipate your statement, but would you be able to tell us how much additional freight was hauled by employing 1,346,859 in contrast to 1,829,000 during World War I?

Mr. PARMELEE. I am going to tell you in a minute.

Senator ELLENDER. Very well.

Mr. PARMELEE. To what extent will increased wages affect employment in the railway industry? As I have already stated, wage increases in the railroad industries have in the past stimulated reductions in the total amount of employment in that industry. A brief reference to past experience will support this statement. The average employment on railroads of class I during 3 years of the First World War, 1917 to 1919, was 1,829,291. During the first 3 years of our participation in the Second World War, 1942 to 1944, average railroad employment was 1,346,859. There was thus a reduction of 482,432 persons, or 26.4 percent, in railroad employment between those two war periods. By contrast, however, the railroads in this war handled a much greater volume of traffic than in the last war, total ton-miles for 1942 to 1944 being 81 percent greater than in 1917 to 1919, and total passenger-miles being 90 percent greater. A part of this showing of much greater traffic handled with fewer employees was due, of course, to other factors than technological improvements. I won't say it was all due to technological improvements, but a very large part of it was. A considerable part of it, was unquestionably due to the fact that as railroad wages increased between the two wars, the railroads were forced to install improved facilities, more powerful engines and machinery, and modernized processes so as to escape the heavy wage payments that would otherwise be required. A substantial increase in railroad wages at this time, especially if forced upon the railroads at a single step, would have the effect of stimulating further resort to mechanization, which would mean less railroad employment and smaller pay rolls, and would be of little benefit to the economy as a whole.

Senator ELLENDER. Of course, you agree that the railroads are not the exception, that would apply to all industrial business?

Mr. PARMELEE. I think that is true generally. That is the generally accepted view with respect to industry as a whole. I think it is particularly true in the railroad industry, however.

The Bureau of Transport Economics and Statistics of the Interstate Commerce Commission estimated in December 1944 that the freight traffic of the railways in the postwar years 1947 to 1949 might approximate 480,000,000,000 ton-miles annually. This is a decrease of about 35 percent under the level of 1944. As to passenger traffic, they estimated a decline of nearly 60 percent under 1944.

On the basis of present freight and passenger rates, these traffic estimates would produce a gross revenue of about $6,000,000,000 per year, less than two-thirds of what was earned in 1944. Such a gross revenue would support not more than 1,000,000 jobs, on the basis of current rates of pay. If wage rates are generally increased, as this bill contemplates, the railroad-job opportunities would be even further reduced.

Senator SMITH. That assumes you could not get an advance in rates from the Interstate Commerce Commission based on these increased rates?

Mr. PARMELEE. Yes, sir; that is assuming the present scale of rates. If we could get a 25-percent increase in the freight rate, we might be able to employ more men.

In 1944, railways of class I in the United States reported an average of 1,414,000 jobs. If the prospective employment level is 1,000,000 jobs, then more than 400,000 workers employed in 1944 must be let out.

In addition, these railways have more than 300,000 men in the armed forces. Even if it be assumed that not more than three-quarters of the railroad employees who have entered the service will return to their former employment, such a situation would require about 225,000 additional lay-offs.

We have in the industry about 60,000 over-age workers eligible for full retirement. If these men now retire, the number to be otherwise laid off would be accordingly reduced. Total lay-offs would be 400,000 plus 225,000, less 60,000, or 565,000.

Thus on the assumed prospective traffic level for the postwar years 1947–49, there is a very real possibility that a total of 565,000 railroad employees now working will be laid off. To the extent that wage rates increase above the present all-time peak, the industry would find it necessary to further curtail employment.

Curtailment of employment is something that no railroad manager wishes to contemplate. Men are more essential to the operation of a railroad than they are in many other industries. This is particularly the case, because wages in the railway industry constitute 60 percent of total operating expenses.

Conclusion: I believe that the increases in minimum rates of pay proposed in this bill—S.1349—would bring about such an addition to industrial pay rolls that the principal burden of the increased wage bill would fall upon men who lose their jobs, or men out of work trying to get jobs. Therefore, the burden would be shifted onto the Nation, and onto local communities, because of the increase in the number of unemployed.

Generally increased wages would add to the annual earnings of the men who continued to be employed. Even as to them, however,

increased pay might so hasten the inflationary process that their purchasing power would be actually reduced.

The Labor Department study I have already cited said, page 11:

> If the Government is successful in preventing further substantial price rises until such time as producers are fully able to direct their energies toward supplying individual consumer wants, and if the Government is prepared to take action to prevent a postwar collapse, it seems probable that the general level of prices and the cost of living will not change markedly from current figures. If a change should take place, it would appear more likely that an increase rather than a decrease will occur in the immediate postwar period.

In other words, the Labor Department is fearful of further price increases. Such a trend would be assured, and quickened, by a general and inflationary increase in wages at this time. In the railroad industry it might well result in higher transportation rates, which would be passed along to the general public, including the workers themselves.

Wage and Hour Administrator Walling, whom I have already quoted, said to you on October 4:

> A minimum wage as high as 75 cents raises a number of serious questions with respect to prices, effect on employment, productivity, profits, and so forth, for individual industries and for the various branches thereof, concerning which adequate information is not now available to furnish an over-all judgment for all industries and for the country as a whole.

Senator TUNNELL. Did he advocate a higher wage rate?

Mr. PARMELEE. My understanding is, Mr. Chairman, although I didn't hear his statement in full, my understanding is that he was generally in favor of the bill, but he certainly put in a word of caution as to whether you should go that far. That was the implication I got from his statement.

Senator ELLENDER. I think in part of his testimony, or the testimony of some official from the Labor Department, it was plain that this problem had not been thought through. I think Mr. Hinrichs was the one who testified on that. He built a beautiful picture as to what would occur to the average worker if he got $1,500 to $1,900 annually. That would be fine. I would not mind it if we could bring them all up, but what becomes of the ones in other groups? He hadn't thought that through.

Mr. PARMELEE. I presume that is what Mr. Walling had in mind.

Senator ELLENDER. Yes.

Mr. PARMELEE. I was impressed by Mr. Walling's statement, because he is, after all, the Wage and Hour Administrator, and he would be the man to whom the administration of this particular act would go, and he would be responsible for it, if it were enacted, and it seemed to me his views were ones to which the Congress might well give notice.

Mr. John W. Snyder, Director of the Office of War Mobilization and Reconversion, submitted the fourth quarterly report of that Office to Congress on September 30, 1945, in which he said of the minimum wage:

> Our ultimate goal should be to provide a minimum wage which will give all American workers a chance to buy a fair share of what we can produce.

He then added:

> This cannot be done in one step; it will call for gradual progress over a period of years.

These are sound observations, and I urge them on the committee. To raise the currently established minimum wage of 40 cents at one step to such high levels as proposed in this bill might react disastrously to the whole economy, on labor, on industry, and on the general public.

For the reasons I have briefly outlined to you, the railways for whom I speak are opposed to this legislation.

Senator TUNNELL. Tell me this: Why do you, and others who testify along the same line and from the same standpoint, insist on basing your comparison on 40 cents rather than on what you are actually paying?

Mr. PARMELEE. It is because, in my opinion, Mr. Chairman, those who have spoken in favor of the bill have almost entirely overlooked, or at least omitted to mention, what you might call the corollary effects of the bill. In other words, the effects on the higher wage brackets of the setting of the minimum wage at the rates mentioned in the bill. To my mind, that is more important and more significant and would weigh with much greater effect on the railroad industry than the mere minimum wage itself.

Senator TUNNELL. But here is your sentence:

> To raise the currently established minimum wage of 40 cents at one step to such high levels * * *.

That isn't what you are paying as a minimum wage. You have just told us you are paying 57 cents.

Mr. PARMELEE. That is true as to the rates mentioned in the bill, which, together with the other things to follow, would create, in my opinion, the situation I have described.

Senator ELLENDER. Do you mean the legal rate or the current rate? Which do you mean?

Senator TUNNELL. He says, "currently established minimum wage of 40 cents."

Mr. PARMELEE. "At one step to such high levels," and, if I may I will add a clause there, "together with the resulting effect on the higher-wage brackets would," and so on. I should have said that, because that is what I had in mind.

Senator TUNNELL. Don't you think those who are receiving more than 57 cents have also had their raises, so that it is in proportion to the 57 cents rather than in proprotion to the 40 cents?

Mr. PARMELEE. No; that has not been true in the last two wage increases we have had in the railroad industry in 1941 and 1943. In both cases the lower-paid employees got higher amounts of money, more money in terms of cents per hour.

In other words, it was distinctly recognized that they were of the lower-wage scales, and they got a greater increase.

Senator TUNNELL. If that rate of 65 up to 75 cents should be established, the lower-wage men would not receive a greater proportion than the upper ones.

Mr. PARMELEE. That would depend entirely upon the pressure that was brought to bear on the employers, as to which no one can make a prediction. I know that the pressure would be extremely strong, because of past experience.

Senator TUNNELL. But taking your 40- and 75-cent rates, your argument is on the basis that the established minimum wage is 40 cents, when you have told us that you are paying 57 cents.

Mr. PARMELEE. That is right.

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Senator TUNNELL. That is, it is more than the 40 cents.

Mr. PARMELEE. That is right.

Senator TUNNELL. And that is established just as firmly as if it were established by law; that is established by your own arrangements.

Mr. PARMELEE. That is right; yes.

Senator TUNNELL. So that it is not a raise from 40 to 65 cents, it is a raise from 57 to 65 cents.

Mr. PARMELEE. So far as the railroad industry is concerned that is true, but we do not like to see the increases in wages in other industries that might increase the prices that the railroads would have to pay for their supplies. So far as the railroad industry is concerned, the increase in the minimum would be at once an increase per hour from 57 to 65 cents, and it would then go up another 5 cents and another 5 cents, and those comparatively small steps would cumulatively cost the railroads $127,000,000 a year. On top of that, however, Mr. Chairman, would be the tremendous added costs of the increases made in upper wage brackets. How far that would go no one knows, but it would be hundreds of millions of dollars if that were carried up as, of course, labor would want to do.

Senator ELLENDER. Mr. Parmelee, you say it would be difficult to state. I am wondering if you could give us some figures, for the record, to show what effect the fixing of the rates designated in table 1 from 25 cents to 36 cents from 1938 to 1941 had on those in the higher brackets? It strikes me that we would have a very good example there if you could give us that; and then if you could also give us the effect on the higher brackets when you mediated the wages on December 1 from 36 to 46 cents and on December 27 from 46 to 57 cents. You have been speculating as to what would occur in the future. It may be that you can give us specific testimony as to what effect the raising of these minimum wages had on the higher brackets.

Mr. PARMELEE. I will be glad to do what I can on that. We haven't information for the past quite as accurate as we have for the present time.

(See exhibit B, p. 502.)

Senator ELLENDER. Would you be good enough to let us have such as you can gather. You can send it to the clerk and we can put it in the record in connection with your testimony.

Mr. PARMELEE. I will be glad to answer your questions to the best of my ability. May I send it to you, Mr. Chairman?

Senator TUNNELL. Yes; although I think you have told us that it was something that no human being could estimate.

Mr. PARMELEE. For the future.

Senator TUNNELL. Yes.

Senator ELLENDER. That is on this bill.

Mr. PARMELEE. On this bill.

Senator ELLENDER. One more question. In table 2 you stated that 260,000 employees received less than 65 cents and 426,000 less than 70 cents. The question is: Are the 260,000 included in the 426,000?

Mr. PARMELEE. Yes, they are cumulative figures.

Senator ELLENDER. They are cumulative figures. Thank you. That is all.

Senator TUNNELL. Your profits before taxes have been enormous during the war period, haven't they?

Mr. PARMELEE. It would depend on what you mean by "enormous," Mr. Chairman. We talk about the profits as net earnings after taxes rather than before.

Senator TUNNELL. But if you had paid more wages it would not have left quite so much for taxes?

Mr. PARMELEE. That is true. During the war the excess profits tax has been heavy. The Government, in effect, would have paid those wages by reason of the fact that it would have received less taxes. I think it is much better for the Government to receive those excess taxes, because it has helped to pay for the war.

Senator TUNNELL. The only thing was, you could not during the greater part of the war make reservations for repairs and upkeep. You could not get the material then, and you could not save it.

Mr. PARMELEE. Yes; and the railroads would have been in a much better position to give jobs to employees from now on, during this transition period; if that had been done.

Senator TUNNELL. I want to ask you this: Don't you think, notwithstanding that perhaps you have not studied that side of it, that there is a need for considering what an employee has to have in view of changed prices?

Mr. PARMELEE. I go back, Mr. Chairman, to my statement previously made to the committee, that I think any floor put under wages should be a moderate floor, and that does not mean that I would want everybody to be at that floor, but it should protect against what has been called sweatshop wages, substandard living conditions, and so on. I hope we are going to have enough common sense in this country to raise the wages considerably above that floor as a general thing, but I would like to see that left to private enterprise and to management and to labor to work out among themselves and not have the Government step in and put it into effect in a single sweep.

Senator TUNNELL. We had a man here the other day who told us he made as high as a million dollars a year, and he told about the various raises in wages, and we asked him why he raised wages and he said because he had to. Do you think that if people raise wages entirely because they have to, you can trust that law you mention to govern for millions of people who are not organized?

Mr. PARMELEE. I would certainly put the floor in, and you have that floor now, and you are considering a possible raising of the floor to protect these very people you speak of.

Senator TUNNELL. Do you think it should be raised? I will put it that way.

Mr. PARMELEE. I am not authorized by my principals to answer that question, Mr. Chairman.

Senator TUNNELL. All right. I will not press it.

Senator ELLENDER. Speaking as an individual, I think you gave it as your opinion that it would be all right to raise the minimum to 50 cents.

Mr. PARMELEE. I certainly would not go over 50 cents.

Senator TUNNELL. Event though your railroads are paying 57, you would not go above 50?

Mr. PARMELEE. Yes, I am speaking there as to the general economy, of course.

Senator TUNNELL. Now, then, the rise to 57 cents, for instance, you think would injure other lines of industry?

Mr. PARMELEE. It might, yes. I cannot speak, of course, so authoritatively or so intelligently for other industry; at least, I know a little more about the railroad industry.

Senator TUNNELL. We were told the other day that the lowest wages in some lines were in the State of Maine. There are sections where industry is not paying a living wage; isn't that right?

Mr. PARMELEE. Well, that is a pretty general question, Mr. Chairman, I don't know.

Senator TUNNELL. I thought I would make it sectional; but you don't know that.

Mr. PARMELEE. I don't know.

Senator TUNNELL. All right. Now, there was another thought which you mentioned that I wanted to comment on. You said that wages could not be paid higher than a person was able to produce. That he would have to produce as much as he receives. That seems like a sound, a pretty sound, economic principle. How about the fellow who has a family and can't get that much in the section of the country where he lives; what are you going to do with him?

Mr. PARMELEE. Do you think he is not getting as much as he thinks he is worth?

Senator TUNNELL. I am not saying how much he is worth.

Mr. PARMELEE. You are getting into a philosophical question there, Mr. Chairman, that is hard to analyze without going into a long discussion. In other words, it gets down to a question of whether a man who is working—and we are all supposed to be working and producing enough to justify our existence—whether a man should produce as much as he receives. I think, generally speaking, he should produce more than he receives.

Senator TUNNELL. There should be a profit?

Mr. PARMELEE. There ought to be a margin there.

Senator TUNNELL. I think so.

Mr. PARMELEE. There also has always been in the world, and I suppose there will always be, a certain margin of persons who are in that class; for one reason or another, they don't produce as much as they receive, and so society takes care of them in one form or another.

Senator TUNNELL. There has been testimony before this committee that people just could not live on a wage of, for instance, 40 cents an hour, or $26 a week.

Senator SMITH. That was at the 65-cent rate.

Senator TUNNELL. Yes.

Senator SMITH. From which was deducted taxes, social security, and so on.

Senator TUNNELL. Yes. There are many families who have to live on that wage. Don't you think that they have certain rights which must be considered?

Mr. PARMELEE. They certainly have problems to which society must give attention. There is no question about that, Senator. You are posing one of the most difficult questions of all time. I dislike myself to see Government, by legislation, however, settle these economic questions. If the Government is willing to step in and if it is in a position to step in and make up by grants, or appropriations, the difference between what it considers to be a standard wage and what industry can afford to pay, well and good; that is up to the Government.

Senator TUNNELL. But don't you think there are millions of people that do need help?

Mr. PARMELEE. Society must get together and solve that question in some way; there is no question about that.

Senator TUNNELL. I don't believe it applies to your industry. I don't mean that. I think the railroads have paid pretty good wages in comparison with other lines of activity. But there are lines of activity in this country where people are not receiving anything like a living wage. Don't you think that is a territory for a minimum wage, as well as what you have spoken of?

Mr. PARMELEE. I think Congress in its wisdom—if they decide that 40 cents is too low at the present time, and in view of present living costs, and so forth, might well consider an adjustment in that, but I still think that an adjustment of 25 cents, putting 25 cents onto 40 cents, is too far to go at one time.

Senator SMITH. Though it is not any more than the advance has been per year for the last 5 years. That is under war conditions, of course, Mr. Chairman. That is the thing that troubles me with your argument on that. That advance is an abnormal advance.

Senator TUNNELL. My associates here do not have the same view of the future, apparently, that I do.

Do you think that business is going to improve in the next 5 years and that we are going to have a period of abnormal activity?

Mr. PARMELEE. We hope so, Senator. I should be very much disappointed if we didn't.

Senator SMITH. I certainly feel that way. I think we are going to have the greatest prosperity we have ever had.

Senator TUNNELL. Yes.

Senator ELLENDER. But not as much as we had during the war with the Government purchasing about 50 percent of our industrial and agricultural production.

Senator SMITH. We have no assurance of it.

Senator ELLENDER. Of course not. Of course, if you want to produce for Europe and for Asia, and just make a present of our products to our neighbors across the seas, you can keep the wheels turning for a long time. I don't think we ought to venture any further with them except on a strictly business basis.

Senator TUNNELL. The Senator is getting off into international affairs.

Senator ELLENDER. That is what kept us prosperous during the war. I don't know how many billions of dollars of goods were sent across the oceans, and I, for one, am through sending goods on an I O U basis. I want some business sense mixed in with future transactions.

Senator TUNNELL. Now, then, Mr. Parmelee, there was one other thought that I wanted to mention to you. I thought, from your testimony, that you took the position that technology injures the laborer. Would you care to see the country go back to the horse-and-buggy days?

Mr. PARMELEE. Not at all, Mr. Chairman. I think it is largely a question of timing. It is a question of how fast you go and how much time you have to adjust yourself to conditions as they develop. You can't put your machines in too quickly, because you will throw too many people out of employment. In my opinion, you can't

raise wages too rapidly, because that, in itself, will bring this tremendous increase in technology and that, in turn, will have its effects. But you can take it step by step in the normal application of developments.

Senator TUNNELL. But your idea is that the rise now should not be above what you are now paying?

Mr. PARMELEE. Well, we are opposed, as the railroad industry, to any increase, particularly above the 57 cents. I think personally that it would be a mistake for the economy to go as high as 55 cents. That is my personal view.

Senator TUNNELL. Although it would not affect your industry directly?

Mr. PARMELEE. Not directly, but indirectly it would.

Senator TUNNELL. And if it affected other industries, of course, it would affect your work. If the industries could not afford to produce the things that you haul you would not have the same amount of income.

Mr. PARMELEE. Very true. It would affect the volume of our traffic.

Senator SMITH. I think the witness is trying to say there that there is a point beyond which we cannot go if we are to avoid an inflation.

Mr. PARMELEE. That is right.

Senator SMITH. You think we might move up to 50 cents without bringing on inflation, but your feeling is that if we go to 55 we ought to study it very carefully so as not to precipitate an inflation, which we all want to avoid.

Mr. PARMELEE. Yes.

Senator TUNNELL. In the meantime you are willing for these people that are living on starvation wages to go on living that way without the protection of law?

Mr. PARMELEE. The use of the term "starvation wages," leads to a lot of discussion, Senator, in which I would rather not indulge at this time. I say that with all due deference. I have tried to make our position clear. I think we have to go rather slowly on all these things and adjust them as rapidly as possible.

Senator TUNNELL. Do you think $26 a week is too high a minimum wage?

Mr. PARMELEE. That all depends on circumstances, where a man lives, what kind of a standard of living he is used to, and a great many other things. I can't answer that question categorically.

Senator TUNNELL. Your answer implies that you think it is too small in many places.

Mr. PARMELEE. It might be in some places, yes; but that in itself does not justify uniform treatment.

Senator TUNNELL. I don't know what is going to happen to that fellow while what you envision as being sometime in the future arrives. That is what bothers me.

Senator SMITH. May I make a suggestion there? I don't think that our Government or our people are going to permit anybody to starve. The whole question is whether we can load it on industry just at this moment when we are in the transition stage, or whether we want to do it some other way. We want to save private industry, and if we move too fast we may close up a lot of industries. It seems to me that the whole issue is whether we can do it gradually enough

to protect industry and get industry into full stride and then move into a gradual increase. I want to see the wage levels increased all the way through.

Mr. PARMELEE. The equilibrium must be maintained.

Senator TUNNELL. But the weakness in that argument, from my standpoint, is that you wait until the fellow dies before you decide that he ought to have been fed.

Senator SMITH. By all means we are going to take care of him. I feel just as strongly as you do about it. We are trying to solve a problem here, an economic problem of first magnitude to the country.

Senator TUNNELL. I am sure I do not know the answer.

Senator SMITH. I don't either; I am not dogmatic.

Senator ELLENDER. Mr. Parmelee, I presume that most of your rates, I mean wage rates, per hour rates, are fixed by mediation?

Mr. PARMELEE. Yes.

Senator ELLENDER. I mean, by collective bargaining.

Mr. PARMELEE. That is true. Under the terms of the Railway Labor Act all of the various processes are set up.

Senator ELLENDER. Now, is the hourly wage rate the same for the same class of employees all over the country?

Mr. PARMELEE. It varies with different areas of the country.

Senator ELLENDER. In what part of the country are the wages the highest, the per hour wage rate the highest?

Senator TUNNELL. He has tables showing the railroad rates.

Senator ELLENDER. I don't mean the railroad rates, I mean the rates per hour paid to labor.

Senator TUNNELL. That is what his tables show.

Senator ELLENDER. I didn't see that.

Mr. SOUBY. He didn't separate them territorially.

Senator TUNNELL. May we have your name?

Mr. SOUBY. My name is James M. Souby. I am associated with Dr. Parmelee.

Senator ELLENDER. I believe we had some witnesses who testified that the wage rates per hour for the same kind of work, say, in Georgia, were different than in New York. Is that true in railroad wage rates?

Mr. PARMELEE. In the case of certain groups of employees that is true.

Senator ELLENDER. Could your associate give us that?

What is your name?

Mr. MONROE. J. Elmer Monroe, assistant to Dr. Parmelee.

Generally speaking, our maintenance forces receive about 57 cents an hour in the South.

Senator ELLENDER. What is that, section men?

Mr. MONROE. Section men. In the North, the section men receive about 65 to 68 cents, in the northern part of the country.

Senator ELLENDER. How about the West?

Mr. MONROE. The West divides about the same way. The Southwest, 57 cents; and in the Northwest, 66 and 68 cents.

Senator SMITH. That is supposed to be based on a difference in living standards?

Mr. MONROE. They have grown up, with that factor being taken into consideration.

Senator ELLENDER. Have you any other wage differentials?

Mr. MONROE. There are differences on the same railroads in different sections. There are differences in the clerical forces. Generally speaking, the train and engine forces have a standard rate of pay with certain minor differences.

Senator ELLENDER. Let us take a railroad engineer working from New Orleans to Atlanta. Does he get the same pay as an engineer who works from Chicago to New York or to Detroit?

Mr. MONROE. Generally speaking, yes. He gets paid so much per mile.

Senator ELLENDER. Then, that difference in pay would be only as to those you have just mentioned?

Mr. MONROE. There might be others, but those are the principal classes.

Senator ELLENDER. How about shop workers?

Mr. MONROE. Generally speaking, craft workers get $1.04 and $1.05 an hour.

Senator ELLENDER. Irrespective of where located?

Mr. MONROE. I think that is right.

Senator TUNNELL. The table I was referring to was table 3, Farm labor.

Mr. PARMELEE. Senator, we could do that, we could work that out for recent years, by districts or by regions of the country. There are eight regions. We could work out the average wage per hour of several principal classes of employees.

(See exhibit C, p. 502.)

Senator ELLENDER. I think that would be interesting.

Senator TUNNELL. All right. Thank you.

(The exhibits referred to are as follows:)

EXHIBIT A

ASSOCIATION OF AMERICAN RAILROADS: MEMBER LINES AS OF OCTOBER 1945

Akron, Canton & Youngstown Railroad
Algoma Central & Hudson Bay Railway
Alton & Southern Railroad
Alton Railroad
Ann Arbor Railroad
    Manistique & Lake Superior Railroad
Atchison, Topeka & Santa Fe Railway
    Lines east of Albuquerque
    Coast lines:
        Gulf, Colorado & Sante Fe Railway
        Panhandle & Santa Fe Railway
Atlanta, Birmingham & Coast Railroad
Atlantic & Yadkin Railway
Atlantic Coast Line Railroad
Baltimore & Ohio Chicago Terminal Railroad
Baltimore & Ohio Railroad
    Staten Island Rapid Transit Railway
Bessemer & Lake Erie Railroad
Boston & Maine Railroad
    Includes—
        Sullivan County Railroad
        Vermont Valley Railroad
Buffalo Creek Railroad
Burlington-Rock Island Railroad
Cambria & Indiana Railroad

Canadian National Railways
    Lines in Canada
    Lines in United States:
        Canadian National lines in New England
        Duluth, Winnipeg & Pacific Railway
        Champlain & St. Lawrence Railroad
        United States & Canada Railroad
        St. Clair Tunnel
        International Bridge
        Central Vermont Railway, Inc.
        Grand Trunk Western Railroad
        Muskegon Railway & Navigation Co.
        Vermont & Province Line
        New York-Niagara Frontier
        Minnesota & Manitoba Railroad (leased line)
Canadian Pacific Railway
    Lines in Canada
        Includes—
            Dominion Atlantic Railway
            Quebec Central Railway
    Lines in United States:
        Canadian Pacific lines in Vermont
        Canadian Pacific lines in Maine
Central of Georgia Railway
    Louisville & Wadley Railroad
    Wadley Southern Railway
    Wrightsville & Tennille Railroad
Central Railroad Co. of New Jersey
    Wharton & Northern Railroad
Charleston & Western Carolina Railway
Chesapeake & Ohio Railway
Chicago & Eastern Illinois Railroad
Chicago & Illinois Midland Railway
Chicago & North Western Railway
    Chicago, St. Paul, Minneapolis & Omaha Railway
Chicago & Western Indiana Railroad
Chicago, Attica & Southern Railroad
Chicago, Burlington & Quincy Railroad
Chicago, Great Western Railway
Chicago, Indianapolis & Louisville Railway
Chicago, Milwaukee, St. Paul & Pacific Railroad
Chicago, Rock Island & Pacific Railway
    Peoria Terminal Co.
Clinchfield Railroad
Colorado & Southern Railway
Columbus & Greenville Railway
Delaware & Hudson Railroad Corp.
    Greenwich & Johnsonville Railway
Delaware, Lackawanna & Western Railroad
Denver & Rio Grande Western Railroad
Denver & Salt Lake Railway
Detroit & Mackinac Railway
Detroit & Toledo Shore Line Railroad
Detroit, Toledo & Ironton Railroad
Duluth, Missabe & Iron Range Railway
Duluth, South Shore & Atlantic Railway
    Mineral Range Railroad
Elgin, Joliet & Eastern Railway
Erie Railroad
    New Jersey & New York Railroad
Florida East Coast Railway
Fort Dodge, Des Moines & Southern Railway
Fort Worth & Denver City Railway
Galveston, Houston & Henderson Railroad
Georgia Railroad

Georgia & Florida Railroad
Great Northern Railway
Green Bay & Western Railroad
Gulf, Mobile & Ohio Railroad
Huntingdon & Broad Top Mountain Railroad & Coal Co.
Illinois Central Railroad
    Yazoo & Mississippi Valley Railroad
    Gulf & Ship Island Railroad
Illinois Terminal Railroad
Indianapolis Union Railway
Kansas City, Mexico & Orient Railway of Mexico
Kansas City Southern Railway
    Arkansas Western Railway
Kentucky & Indiana Terminal Railroad
Lake Superior & Ishpeming Railroad
Lehigh & Hudson River Railway
Lehigh & New England Railroad
Lehigh Valley Railroad
Louisiana & Arkansas Railway
Louisville & Nashville Railroad
McCloud River Railroad
Maine Central Railroad
Midland Valley Railroad
    Kansas, Oklahoma & Gulf Railway
    Oklahoma City-Ada-Atoka Railway
Minneapolis & St. Louis Railway
Minneapolis, St. Paul & Sault Ste. Marie Railroad
    Includes Wisconsin Central Railway
Mississippi Central Railroad
Missouri-Kansas-Texas Railroad
    Includes—
        Missouri-Kansas-Texas Railroad Co. of Texas
        Beaver, Meade & Englewood Railroad
Missouri Pacific Railroad
        Doniphan, Kensett & Searcy Railway
        New Orleans & Lower Coast Railroad
        Natchez & Southern Railway
    Gulf Coast Lines:
        New Orleans, Texas & Mexico Railway
        St. Louis, Brownsville & Mexico Railway
        San Antonio, Uvalde & Gulf Railroad
        Beaumont, Sour Lake & Western Railway
    International-Great Northern Railroad
    Missouri Pacific Railroad Corp. in Nebraska
    Missouri-Illinois Railroad
Montour Railroad.
Nashville, Chattanooga & St. Louis Railway
    Includes Western & Atlantic Railroad
National Railways of Mexico
Nevada Northern Railway
New York Central Railroad
    Chicago River & Indiana Railroad
    Indiana Harbor Belt Railroad
    Pittsburgh & Lake Erie Railroad
New York, Chicago & St. Louis Railroad
New York, New Haven & Hartford Railroad
New York, Susquehanna & Western Railroad
Norfolk & Western Railway
Norfolk Southern Railway
Northern Pacific Railway
Northwestern Pacific Railroad
Pennsylvania Railroad
    Pennsylvania & Atlantic Railroad
    Rosslyn Connecting Railroad
    Waynesburg & Washington Railroad
    Baltimore & Eastern Railroad
    Long Island Railroad
Pennsylvania-Reading Seashore Lines

Peoria & Pekin Union Railway
Pere Marquette Railway
    Manistee & Northeastern Railway
Piedmont & Northern Railway
Pittsburg & Shawmut Railroad
Pittsburgh & West Virginia Railway
Pittsburgh, Shawmut & Northern Railroad
Prescott & Northwestern Railroad
Pullman Co. (special membership)
Railway Express Agency, Inc. (special membership)
Raritan River Rail Road
Reading Co.
    Trenton-Princeton Traction Co.
Richmond, Fredericksburg & Potomac Railroad
Rutland Railroad
St. Louis-San Francisco Railway
    Birmingham Belt Railroad
    St. Louis, San Francisco & Texas Railway
St. Louis Southwestern Railway
    Includes—
        St. Louis Southwestern Railway of Texas
        Dallas Terminal Railway & Union Depot Co.
San Diego & Arizona Eastern Railway
Savannah & Atlanta Railway
Seaboard Air Line Railway
Southern Pacific Co.
    Texas & New Orleans Railroad
Southern Pacific Railroad of Mexico
Southern Railway
    Alabama Great Southern Railroad
    Blue Ridge Railway
    Carolina & Northwestern Railway
    Cincinnati, Burnside & Cumberland River Railway
    Cincinnati, New Orleans & Texas Pacific Railway
    Danville & Western Railway
    Georgia Southern & Florida Railway
    Harriman & Northeastern Railroad
    High Point, Randleman, Asheboro & Southern Railroad
    New Orleans & Northeastern Railroad
    New Orleans Terminal Co.
    St. Johns River Terminal Co.
    State University Railroad
    Woodstock & Plocton Railway
    Yadkin Railroad
Spokane International Railroad
Spokane, Portland & Seattle Railway
Temiskaming & Northern Ontario Railway Commission
    Includes Nipissing Central Railway.
Tennessee, Alabama & Georgia Railway
Tennessee Central Railway
Terminal Railroad Association of St. Louis
Texas & Pacific Railway
Texas Mexican Railway
Toronto, Hamilton & Buffalo Railway
Tremont & Gulf Railway
Union Pacific Railroad
Union Railway (Memphis)
Union Railroad (Pittsburgh)
Virginian Railway
Wabash Railroad
Western Maryland Railway
Western Pacific Railroad
Western Railway of Alabama
    Atlanta & West Point Rail Road
Wheeling & Lake Erie Railway
Wichita Valley Railway
Winston-Salem Southbound Railway
Youngstown & Southern Railway

EXHIBIT B

EFFECT OF WAGE CHANGES ON HIGHER WAGE BRACKETS IN THE RAILROAD INDUSTRY, 1939–43

Establishment of a minimum wage of 25 cents in the railroad industry in October 1938, and of 30 cents in October 1939, had no great effect upon the rates of pay for job classifications above those respective minimums, as there already existed at that time a substantial differential between the lower common labor rates and the skilled labor rates.

The mediated settlement of December 1, 1941, however, established a general minimum rate of 46 cents. The increase of 10 cents per hour (over the statutory rate of 36 cents) was effective for all job classifications from the minimum up to the highest rates, except that the train and engine service forces (who are among the higher paid classes) received 9½ cents per hour. Thus much the same increase was made in all rates, from the bottom up, and differentials were preserved, or very nearly preserved, at the insistence of the railroad labor organizations.

Much the same procedure was followed in 1943. The mediated settlement of December 27 of that year provided in increase of 11 cents in the minimum rate. All job classifications with hourly rates of 47 cents but less than 57 cents were increased 10 cents per hour; while all job classifications with hourly rates of 57 cents or more were increased 9 cents per hour. In this case, the differentials were slightly reduced by reason of the fact that the lower rated classes received slightly greater increases per hour. However, all wage groups involved received an increase closely paralleling that agreed upon for the lowest or minimum wage group.

EXHIBIT C.—*Average straight-time rate of pay per hour—Selected classes of railroad employees: Railways of class I in the United States, year 1944* [1]

	Average number of employees in United States	Region							
		New England	Great Lakes	Central Eastern	Southern	Pocahontas	Northwestern	Central Western	Southwestern
		Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Clerks (B and C)	118,124	86.3	88.5	91.5	86.7	87.9	87.0	91.2	87.1
Bridge and building carpenters	15,017	87.2	91.8	92.1	84.2	87.9	84.6	89.4	82.8
Section men	143,304	64.4	66.2	66.0	59.1	63.1	63.9	60.6	57.5
Boilermakers	14,707	105.5	113.6	113.6	107.1	108.0	106.5	106.2	106.3
Carmen (A and B)	19,678	104.1	113.8	108.5	104.7	106.0	104.3	104.8	104.8
Carmen (C and D)	60,315	97.6	102.6	100.3	98.3	99.3	97.0	97.8	97.3
Electrical workers (A)	9,227	105.0	107.4	107.4	106.3	106.8	106.6	105.9	104.7
Sheet-metal workers	11,377	105.1	109.8	114.7	106.1	107.0	106.3	105.1	105.8
Skilled trades helpers	93,299	80.7	85.0	85.3	79.9	83.2	80.5	81.5	77.2
Coach cleaners	13,694	66.2	70.7	66.3	59.7	65.7	67.2	65.8	59.1
General laborers (shops)	26,495	64.7	67.9	67.5	59.5	63.6	64.9	62.6	58.9
Truckers	28,814	74.2	77.1	77.1	61.3	66.2	77.2	73.0	65.1

[1] The rates indicated are average straight-time rates and not minimum rates. They are stated in cents per hour.

Senator TUNNELL. Mr. Taylor.

TESTIMONY OF TYRE TAYLOR, GENERAL COUNSEL, SOUTHERN STATES INDUSTRIAL COUNCIL

Mr. TAYLOR. I appear on behalf of the Southern States Industrial Council, the headquarters of which are in the Stahlman Building, Nashville, Tenn. My address is 712 Jackson Place, Washington.

Established in 1933, the council's membership is comprised of business concerns in the 16 southern States from Maryland to Texas, and including West Virginia, Missouri, and Oklahoma. This membership includes all lines of manufacturing and processing, mining, transportation, and related industries and accounts for substantial employment throughout the area.

You already have in your report data on the effect of the proposed minima upon costs and prices in the case of three of the South's largest industries—cotton textiles, lumber, and tobacco. I shall not go into this except to offer for the record certain information which, in the case of cotton textiles, may serve to supplement the data already before you and, in the case of lumber, we have some estimates of what the proposed increases would do to the price of furniture.

Senator ELLENDER. I don't recall having any testimony from the lumber industry.

Senator TUNNELL. I don't think we have had any.

(A statement from the Southern Pine Industry appears in the Appendix.)

Mr. TAYLOR. Wasn't the table put in the record?

Senator ELLENDER. There may have been some data put into the record.

Mr. TAYLOR. The increase in costs which would result from 65 cents, 70 cents, and 75 cents. Didn't you put that in the record?

Senator ELLENDER. What I had in mind was that we did not have any witnesses. Of course, I think it is imperative that we do have some testimony from the lumber industry.

Mr. TAYLOR. I think this did go in [indicating document].

Senator ELLENDER. Yes, I remember putting that in myself. That was to show that an increase in wages would increase the cost of lumber.

Mr. TAYLOR. Except for this—and except for two recommendations in which we should like to join with the Cotton Textile Institute—we wish to confine ourselves to certain aspects of the problem which, so far as I know, have not been discussed and some, if not all of which, involve important considerations of public policy. For example, the effect of the proposed legislation upon small business.

Impact upon small business: The South of course has many large nationally and internationally known industrial establishments. However, as the House Committee on Small Business found after an exhaustive survey of the wartime problems of Southern industry in 1942–43, the overwhelming majority of our plants and companies are comparatively small. And suitably qualified—omitting, for example, financial concerns and some types of industry where the investment or volume of turn-over per worker is extremely high—the number of employees indicates the relative resources of a business enterprise.

We do not have comparative figures for any particular section of the country, but for the Nation as a whole we find that average earnings per job by size of firm are substantially larger for the big firms than the small ones. Thus for the period 1939–43, such averages for third quarter earnings were as follows:

I might say, gentlemen, that while that is something I have been convinced about in my own mind for a long time, and something about which I think the committee might take judicial notice, it is awfully difficult, or I found it so, to obtain any very satisfactory statistics for that. There seems to be a great dearth of data on this subject of earnings by size of a firm, not only for the country as a

whole but there is nothing so far as I have been able to find where it is broken down by regions.

On page 3 is a table. The source of these figures is the Bureau of Old Age and Survivors Insurance, and it was quoted in an article entitled "Industrial Concentration of Employment" in the April 1945 issue of Current Business by Donald W. Paden.

Now, this is a table of the average earnings per job, by size of firm, for the third quarters during the period 1939 to 1943.

As you will note, in the first column, which starts off with the average for all classes; that is, the smallest, the middle size, and the largest firm, it starts off with 54 cents an hour, and by 1943 it gets up to 87 cents. In the case of the smallest one it started off with 47 cents an hour and gets up to 69 cents. That is a percentage increase, an average increase, of 44.8 percent.

In the middle size group, 50 to 999 employees, it starts off in 1939 with 52 cents and gets up to 80 cents in 1943, or a 54-percent increase.

For the largest firms, those with a thousand or more employees, it starts off in 1939 with 63 cents, and by 1943 it got up to $1.02, or an increase of 63 percent.

Senator SMITH. Apparently none today are under 65 cents.

Mr. TAYLOR. These are average figures, Senator Smith.

Senator SMITH. I see. There might be some.

Mr. TAYLOR. Yes, sir.

(The table above referred to is as follows:)

Average earnings per job, by size of firm, third quarter, 1939–43 [1]

Year	Total, all size classes			Firms with—								
				1 to 49 employees			50 to 999 employees			1,000 or more employees		
	Quarterly	Weekly	Hourly	Quarterly	Weekly	Hourly	Quarterly	Weekly	Hourly	Quarterly	Weekly	Hourly
1939	$280	[2] $21.54	$0.54	$246	$18.92	$0.47	$271	$20.84	$0.52	$329	$25.30	$0.63
1940	284	21.85	.55	240	18.46	.46	273	21.00	.53	342	26.30	.66
1941	331	25.46	.64	247	19.00	.48	316	24.30	.61	429	33.00	.83
1942	403	31.00	.78	315	24.23	.61	379	29.15	.73	481	37.00	.93
1943	451	34.70	.87	357	27.46	.69	416	32.00	.80	528	40.61	1.02

[1] Source: Bureau of Old Age and Survivors Insurance, Social Security Board, quoted in article, Industrial Concentration of Employment, by Donald W. Paden, April 1945 issue of Current Business, published by Department of Commerce.
[2] 40-hour week.

Mr. TAYLOR. This table was constructed by dividing the quarterly earnings by 13 to get the weekly earnings and this by 40 to get the hourly earnings. Since the quarterly earnings included overtime, the straight-time hourly rates were undoubtedly lower than the table indicates. And in the case of the South, a further downward adjustment would be necessary to reflect existing wage differentials. Yet even so—and leaving these adjustments out of account—it will be noted that the average hourly wages paid by the smallest firms in 1943 were only 3.6 cents above the proposed statutory minimum and more than 6 cents less than the 75 cents to be established within 2 years.

The impact upon the middle group would be less, while the third group—the largest concerns—would feel it least of all.

I have here another chart which is unsuitable for introduction into the record, but it illustrates this next point here.

(The chart referred to was handed to Senator Tunnell.)

Mr. TAYLOR. This chart showing taxable wages by size of firm reflects another aspect of the same picture. Not only does the typical large firm pay higher wages than its smaller counterpart, but the rate of increase in recent years has been most rapid in the case of the large firms. Starting at 100 in 1939, wages paid by firms employing 1,000 or more workers had risen to 315 by the middle of 1943, while the comparable increase in the case of the middle group was about 168 and for the smallest concerns around 147.

In other words—and this is also indicated by the table previously referred to—the wage structure of small business has tended to remain relatively stationary during the war period and both before the war and now the wages paid are substantially lower than those paid by the larger concerns.

There is, of course, a reason for this and it is not that small business has any laws for low wages as such. It results, rather, from the facts, first, that the large concern can take advantage of the techniques of mass production; and, second, that the large concern is more likely to have the capital necessary to a high degree of mechanization and modernization. Both of these factors make for high productivity per man-hour, low unit costs, and hence provide the foundation for higher wages. Frequently the small manufacturer starts with second-hand machinery which has been discarded by the large operator as obsolete.

It is true that most of the concerns in the 1–49 employee category are not engaged in interstate commerce and hence are not covered by the Fair Labor Standards Act. In fact, local retailing is specifically exempted. However, all of these businesses must compete in the labor market with businesses which are covered and hence are affected indirectly. You had this story here the other day from the hotel people.

Another small business angle of this problem which seems worthy of consideration by the committee is its bearing upon the general goal of full employment. To a degree not generally recognized, we must rely upon small business—and particularly the distribution and service trades—for jobs during the years ahead. Since 1870, employment in agriculture has declined from 53.8 percent of total employment to 25.4 percent in 1940; while over the same period employment in manufacturing, mining, and construction has increased only from 22.6 percent of the total to 26.5 percent. On the other hand, employment in other fields—distribution, and so forth—has increased from 23.4 percent of the total in 1870 to 45.8 percent in 1940—or almost doubled.

Senator TUNNELL. What do you mean by those figures when you say "employment in agriculture has decline from 53.8 percent of total employment to 25.4 percent in 1940"? What do you mean by "total employment"?

Mr. TAYLOR. I mean the total of the gainfully employed, Senator.

Senator TUNNELL. You mean in the whole Nation?

Mr. TAYLOR. In the whole country. Here is a picture of what it looks like on a chart [indicating].

Senator ELLENDER. Many more were engaged in agriculture at that time than industry?

Mr. TAYLOR. That is correct, Senator.

Senator TUNNELL. You said that in 1870, 53.8 were engaged in agriculture and 22.6 in all other fields.

Mr. TAYLOR. Since 1870, employment in agriculture has declined from 53.8 percent of the total employment to 25.4 percent in 1940.

Senator TUNNELL. Then in 1940 there were only 77 percent altogether.

Senator ELLENDER. To put it another way, those now engaged in agriculture and those now engaged in manufacturing represent about the total that was employed, percentagewise, in 1870 in agriculture.

Mr. TAYLOR. By agriculture alone.

Senator ELLENDER. That is correct.

Senator TUNNELL. But you have in this same paragraph the statement:

> Since 1870, employment in agriculture has declined from 53.8 percent of total employment to 25.4—

and then down below you have this statement:

> On the other hand, employment in other fields—distribution, et cetera—has increased from 23.6 percent of the total in 1870 to 45.8 percent in 1940—or almost doubled.

Now, that is 53.8 percent in agriculture and 22.6 percent in other fields.

Mr. TAYLOR. 53.8 percent in agriculture in 1870, 22.6 percent in manufacturing.

Senator TUNNELL. Then you say "in other," and you mean outside of manufacturing and agriculture.

Mr. TAYLOR. Yes, primarily the distributing and servicing trades.

Projecting this trend to 1960, the percentage for agriculture would be 16.4 percent of the total; manufacturing, mining, and construction, 26.5 percent; and all other, 57.1 percent.

Now to bring this down to earth, my point is not only that the direct impact of the proposed minima would, generally speaking, be heaviest on precisely those concerns least able to pay them, but there might be an important indirect impact on full employment in that the corner grocery store, for example, might be compelled to change from full service to self-service. Furthermore, to the extent that the smaller firms may not be able to pay such increased labor costs and must close, the result is to encourage monopoly and the further centralization of production and distribution in the hands of the largest operators.

Impact upon the labor force: Another special impact of constantly rising labor costs unattended by commensurate increases in production which the committee may wish to weigh and consider is that upon the least skilled workers. As we all know, men and women possess varying skills and degrees of efficiency and this condition arises from a variety of causes. Some are naturally inept. Some are old. Some are handicapped.

Now it necessarily follows that the higher the statutory wage minimum, the more management must strive for efficiency. The result of this is that, as the minimum goes up, more and more of these less efficient workers become unemployable. There is a large question of public policy involved here, but, considering the present state of the Government's finances, one wonders whether the welfare of the Nation as a whole, including the workers themselves, would be well-

served by the creation of a large army of people who would have to go on the public relief rolls because the Government had made it unlawful for them to accept wages which industry can pay.

Experience under the Fair Labor Standards Act: Many of the witnesses who have appeared in support of this bill have referred to the dire predictions which accompanied the establishment of the existing 40-cent minimum and which dire predictions failed to materialize. They have offered our experience under this act as evidence of industry's ability to pay the proposed minima without substantially curtailing employment.

Of course this experience proves nothing of the kind for the reason that it has been confined to the period of an unprecedented wartime boom. The story is essentially the same for textiles, coal, iron and steel, lumber, shipbuilding, petroleum, tobacco, food, and every other industry producing things needed for war. However, since cotton textiles is the South's largest industry and its experience is so typical of the period since the first wage order went into effect, I should like to fill out the picture so ably presented by Dr. Murchison the other day by offering three exhibits for the record.

The first is a brief factual description of conditions in this industry during the years immediately preceding the outbreak of war in Europe with the German invasion of Poland on September 1, 1939. These are excerpts from a Bulletin 663 prepared by Mr. A. F. Hinrichs, the present Commissioner of Labor Statistics, in 1938.

(The document referred to is as follows:)

EXHIBIT I

In BLS Bulletin 663, Wages in Cotton Goods Manufacturing, issued in November 1938, Mr. Hinrichs says:

That the cotton textile industry—the largest group under the jurisdiction of this committee—"is operating under bitter pressure that retards new investment and tends to drive old investment out by the bankruptcy route," and that the annual return on textile investment for the period 1933 through the first half of 1936 averaged from 2.6 to 2.8 percent.

That, even during such a relatively prosperous period as the last half of 1933, nearly one-eighth of the textile investment was in mills that operated at a loss.

That "changing mill margins trace the changing fortunes of the industry quite closely" and that "the present margins appear to be close to the costs of the most efficient producers."

That "there is no exorbitant profit margin to indicate exploitation of consumers or workers."

That "the cotton-goods industry is highly competitive," assuring "that, within brief periods of time the benefits of technological advance are passed on to consumers or workers, or both."

That the peak of employment in the cotton-goods industry was reached in 1923, with 471,503 workers employed; that by June 1938 this number had decreased to 335,800; and that "the tendency toward curtailment of total employment opportunities in cotton goods persisted in spite of the sharp reduction of the hours of work accomplished under the NRA."

That the number of active cotton spindles in place decreased from about 38,000,000 for the United States in 1925 to about 26,000,000 as of November 1938, and that since 1935 the number of active spindles in place has been declining in the South.

That, despite the increase in population, there has been no expansion of the aggregate consumption of cotton over the past 15 years and that the per capita consumption declined from 27.9 pounds per person in 1920 to 24.2 pounds per person in 1930.

That "at least two-fifths of the spindles in place are nearly 30 years old and have been rendered obsolete, especially by the development of long-draft spinning

INTENTIONAL SECOND EXPOSURE

Mr. TAYLOR. That is correct, Senator.

Senator TUNNELL. You said that in 1870, 53.8 were engaged in agriculture and 22.6 in all other fields.

Mr. TAYLOR. Since 1870, employment in agriculture has declined from 53.8 percent of the total employment to 25.4 percent in 1940.

Senator TUNNELL. Then in 1940 there were only 77 percent altogether.

Senator ELLENDER. To put it another way, those now engaged in agriculture and those now engaged in manufacturing represent about the total that was employed, percentagewise, in 1870 in agriculture.

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Senator ELLENDER. That is correct.

Senator TUNNELL. But you have in this same paragraph the statement:

> Since 1870, employment in agriculture has declined from 53.8 percent of total employment to 25.4—

and then down below you have this statement:

> On the other hand, employment in other fields—distribution, et cetera—has increased from 23.6 percent of the total in 1870 to 45.8 percent in 1940—or almost doubled.

Now, that is 53.8 percent in agriculture and 22.6 percent in other fields.

Mr. TAYLOR. 53.8 percent in agriculture in 1870, 22.6 percent in manufacturing.

Senator TUNNELL. Then you say "in other," and you mean outside of manufacturing and agriculture.

Mr. TAYLOR. Yes, primarily the distributing and servicing trades.

Projecting this trend to 1960, the percentage for agriculture would be 16.4 percent of the total; manufacturing, mining, and construction, 26.5 percent; and all other, 57.1 percent.

Now to bring this down to earth, my point is not only that the direct impact of the proposed minima would, generally speaking, be heaviest on precisely those concerns least able to pay them, but there might be an important indirect impact on full employment in that the corner grocery store, for example, might be compelled to change from full service to self-service. Furthermore, to the extent that the smaller firms may not be able to pay such increased labor costs and must close, the result is to encourage monopoly and the further centralization of production and distribution in the hands of the largest operators.

Impact upon the labor force: Another special impact of constantly rising labor costs unattended by commensurate increases in production which the committee may wish to weigh and consider is that upon the least skilled workers. As we all know, men and women possess varying skills and degrees of efficiency and this condition arises from a variety of causes. Some are naturally inept. Some are old. Some are handicapped.

Now it necessarily follows that the higher the statutory wage minimum, the more management must strive for efficiency. The result of this is that, as the minimum goes up, more and more of these less efficient workers become unemployable. There is a large question of public policy involved here, but, considering the present state of the Government's finances, one wonders whether the welfare of the Nation as a whole, including the workers themselves, would be well-

served by the creation of a large army of people who would have to go on the public relief rolls because the Government had made it unlawful for them to accept wages which industry can pay.

Experience under the Fair Labor Standards Act: Many of the witnesses who have appeared in support of this bill have referred to the dire predictions which accompanied the establishment of the existing 40-cent minimum and which dire predictions failed to materialize. They have offered our experience under this act as evidence of industry's ability to pay the proposed minima without substantially curtailing employment.

Of course this experience proves nothing of the kind for the reason that it has been confined to the period of an unprecedented wartime boom. The story is essentially the same for textiles, coal, iron and steel, lumber, shipbuilding, petroleum, tobacco, food, and every other industry producing things needed for war. However, since cotton textiles is the South's largest industry and its experience is so typical of the period since the first wage order went into effect, I should like to fill out the picture so ably presented by Dr. Murchison the other day by offering three exhibits for the record.

The first is a brief factual description of conditions in this industry during the years immediately preceding the outbreak of war in Europe with the German invasion of Poland on September 1, 1939. These are excerpts from a Bulletin 663 prepared by Mr. A. F. Hinrichs, the present Commissioner of Labor Statistics, in 1938.

(The document referred to is as follows:)

EXHIBIT I

In BLS Bulletin 663, Wages in Cotton Goods Manufacturing, issued in November 1938, Mr. Hinrichs says:

That the cotton textile industry—the largest group under the jurisdiction of this committee—"is operating under bitter pressure that retards new investment and tends to drive old investment out by the bankruptcy route," and that the annual return on textile investment for the period 1933 through the first half of 1936 averaged from 2.6 to 2.8 percent.

That, even during such a relatively prosperous period as the last half of 1933, nearly one-eighth of the textile investment was in mills that operated at a loss.

That "changing mill margins trace the changing fortunes of the industry quite closely" and that "the present margins appear to be close to the costs of the most efficient producers."

That "there is no exorbitant profit margin to indicate exploitation of consumers or workers."

That "the cotton-goods industry is highly competitive," assuring "that, within brief periods of time the benefits of technological advance are passed on to consumers or workers, or both."

That the peak of employment in the cotton-goods industry was reached in 1923, with 471,503 workers employed; that by June 1938 this number had decreased to 335,800; and that "the tendency toward curtailment of total employment opportunities in cotton goods persisted in spite of the sharp reduction of the hours of work accomplished under the NRA."

That the number of active cotton spindles in place decreased from about 38,000,000 for the United States in 1925 to about 26,000,000 as of November 1938, and that since 1935 the number of active spindles in place has been declining in the South.

That, despite the increase in population, there has been no expansion of the aggregate consumption of cotton over the past 15 years and that the per capita consumption declined from 27.9 pounds per person in 1920 to 24.2 pounds per person in 1930.

That "at least two-fifths of the spindles in place are nearly 30 years old and have been rendered obsolete, especially by the development of long-draft spinning

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in the past decade; that about half the looms are over 20 years old; that low-cost mills can raise wages more easily than high-cost mills; and that—

"It is important to remember that efficiency is a relative term; a mill that was efficient in 1920 will be relatively inefficient in 1938 if it has not modernized its equipment. Leadership in efficiency by a mill or a region can only be maintained as new investment is continuously made. With the general unattractiveness of the cotton textile industry to outside capital, this means essentially that efficiency is maintained through the reinvestment of adequate reserves for depreciation and that expansion must be from profits."

That southern cotton wages are low relative to northern cotton wages, but they are not low relative to prevailing wages in other southern industry and are substantially higher than farm income in that area.

That the average earnings per hour in the cotton-goods industry in August 1938 were 36.54 cents in the South, 44.58 cents in the North, and 38.35 cents for the United States as a whole.

That, as of August 1938, there were 69 mills in the South, employing 36,500 persons, paying average hourly wages of less than the proposed minimum, whereas there were only 3 such establishments in the North, employing less than 350 workers.

That, according to skill, and as of August 1938, the average hourly earnings of workers North and South were actually distributed as follows:

In the South, 44 percent of all workers and 91 percent of the unskilled were receiving less than the proposed minimum, whereas in the North, only 6.1 percent of the total and 5.2 percent of the unskilled were receiving less than 32½ cents.

That, as of August 1938, there were 476 mills in the South, employing more than 180,000 persons, paying average hourly wages of less than 40 cents (the average expected to result in the South from a 32½-cent minimum), whereas there were only 33 such establishments in the North, employing less than 8,000 persons.

That an overwhelming majority of southern mills and workers will be affected by the establishment of a 32½-cent minimum, whereas only a nominal number of northern mills will have to raise wages and these raises will be relatively insignificant in amount.

That the impact of a 32½-cent minimum upon southern mills is further enhanced by the lower productivity of labor in that area. "On the average the low-wage mills also have a low output per man-hour; the high-wage mills a higher output."

That the excess of wages paid in the North over wages paid in the South had declined from 12.1 cents in 1928 to 8 cents in 1938.

That "the essential problem (incident to raising wages) is one of the rate at which adjustments are made—a problem that arises out of the fact that a wage rate increase at the moment that it is made usually involves an increase of labor costs, while output per man-hour rises gradually."

That the NRA code provided for two minimum wages, the basic wage, usually referred to as the minimum wage, was 30 cents an hour in the South and 32½ cents in the North; that this wage applied to all employees except cleaners, outside laborers, and learners; that for these (cleaners, outside laborers, and learners) the minimum wage was 22½ cents in the South and 24¾ cents in the North; and that this system of two minimum wage standards was continued after the code and prevails in the South at the present time.

That "because of the existence of two minima in southern mills, it is quite possible that a general wage increase of as much as 5 cents might result from an absolute 30-cent minimum, even in mills averaging 37.5 to 42.5 cents."

That "the main problems (incident to the attainment of a 40-cent minimum) are problems of timing. It is one thing to say that consumers have benefited disproportionately by the technical advances of the last 10 years; it is another to deduce from this the conclusion that substantial increases of cost can be made immediately without some decrease of consumption. It is one thing to acknowledge that a certain number of obsolete mills are bound eventually to be displaced, unless they are modernized; it is another thing to decide that they should all be displaced immediately."

Mr. TAYLOR. The second is a series of brief excerpts from the New York Times of that period showing what happened to the demand for textile products as a result of the outbreak of war.

(The document referred to is as follows:)

EXHIBIT II

EXCERPTS FROM NEW YORK TIMES

[From New York Times, September 6, 1939]

PRICES UP SHARPLY ON PRIMARY GOODS

SALES OF COTTON GOODS BIGGEST IN YEARS

Spectacular price advances in many primary commodity and semifinished goods markets yesterday signaled the response of American business to Europe's new war. In the broadest activity in several years, commission merchants sold about 150,000,000 yards of gray goods at price one-eighth to three-eighths cents a yard higher than those quoted at the end of last week.

GRAY GOODS ACTIVITY WIDE

The buying of gray goods began with sheetings and narrow print cloths commonly used for the manufacture of bags. It quickly spread to drills, twills, other sheetings, other print cloths, osnaburgs, fine combed goods, and ducks. Sales of print cloths alone were estimated at 50,000,000 yards, and there were another 50,000,000 yards of sheetings sold. Activity in the other gray goods lines were at least heavy enough to bring the days total to 150,000,000 yards.

[From New York Times, September 7, 1939]

The most spectacular trading was again on cotton goods, which admittedly are war merchandise. Gray goods sales were estimated at more than 150,000,000 yards, bringing the total for the 2 days this week to over 300,000,000 yards.

[From New York Times, September 9, 1939]

COTTON-MILL RATE HOLDS WHEN TREND DIPS—WAR BOOMS CLOTHS—BUSINESS INDEX RISES

Cotton-mill activity was unchanged last week end, with a seasonal decline called for, the index advanced to 128.1 from 124.0. It was 115.8 for the week ended September 3, 1938.

In the sharpest activity in years, total sales of all cotton goods this week were estimated at more than 500,000,000 yards. Of this, about 450,000,000 yards were gray goods. Prices of gray goods advanced steadily, making net gains of ¾ to 1 cent a yard on the week. Finished goods advanced on a number of items, and others were withdrawn from sale. The items on which prices were moved up were bought freely.

[From New York Times, September 22, 1939]

GRAY GOODS HIGHER AND MORE ACTIVE

Broader activity and firmer prices in cotton gray goods, the third advance since the outbreak of the war on muslins and sheets, and a move to induce mills to waive their rights under contracts to pass on to buyers increases costs resulting from the recently ordered minimum wage were among the effects of the war boom in textiles yesterday. Yesterday's sales of print cloths were estimated at 20,000,000 yards.

Mr. TAYLOR. The third is a chart taken from a bulletin recently issued by the Department of Agriculture. This chart shows that from 1939 to 1943, cotton consumption (exclusive of linters) in the United States increased from 6½ million bales to 11,100,000.

(The chart referred to is as follows:)

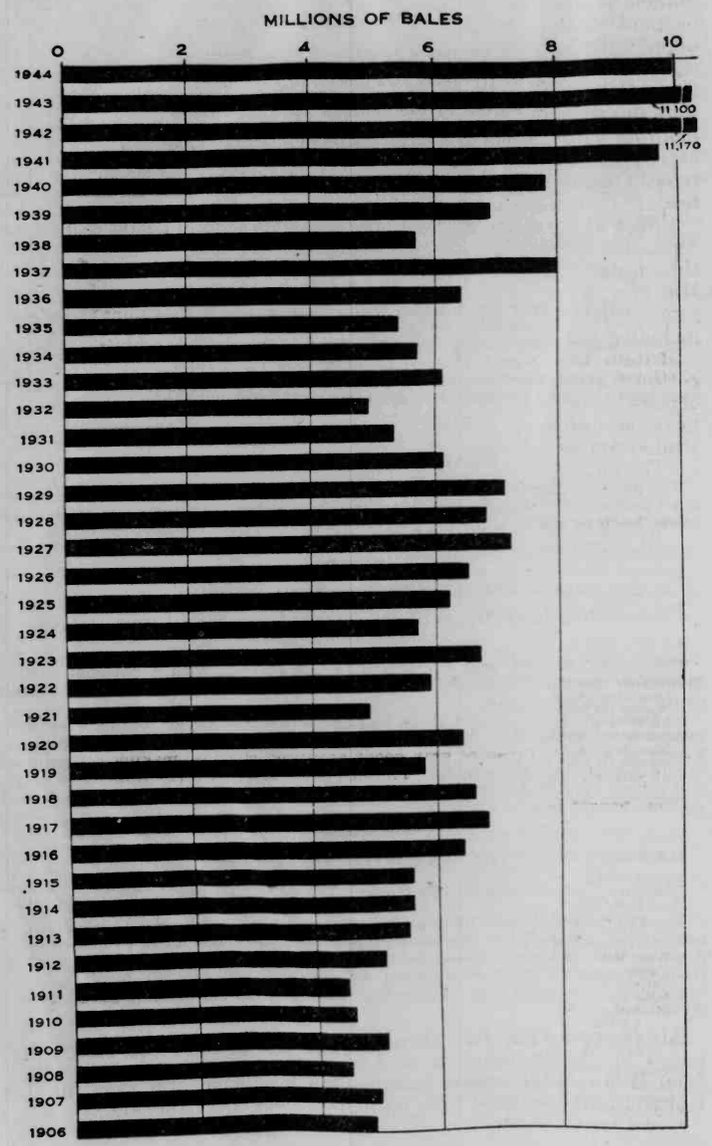

EXHIBIT III.—*Cotton consumption (exclusive of linters) in the United States, 1906 to 1944*

Mr. TAYLOR. All that the experience so far under the Fair Labor Standards Act proves is that the wages which have been paid could be paid—under conditions of demand for textile products totally unprecedented in the history of the industry. It would be about as reasonable to suppose that we shall be able to fully utilize our wartime fleet of merchant shipping in the peacetime trade as it is to assume that the wartime demand for textile and other war goods and commodities will continue at 1939–43 levels. And this suggests another aspect of the pending bill in which the South is vitally interested. I refer to the probable impact of the proposed minima upon our foreign trade.

Effect of higher production costs upon the South's foreign trade: Again I am going to use cotton textiles as an example, both because this in our largest industry and cotton is our most important crop. However, as already stated, the competitive picture is generally the same in the case of other southern products going into world markets, including particularly lumber and tobacco.

Britain has been our greatest competitor in world markets for cotton textiles and probably will continue to be while, of the "newcomers" in this field, Brazil appears to be making most headway. I have, accordingly, assembled certain data on production costs in the United States, Britain, and Brazil.

(The data referred to is as follows:)

UNITED STATES

Average hourly earnings:[1]	
All United States manufacturing, July 1945	$1.03
Cotton manufacturers, July 1945	.705

BRITAIN[2]

	Weekly	Hourly	Average hours worked
Average hourly earnings,[3] 16 industrial groups, first pay-week of July 1944:			
Men (21 years and over)	$25.08	$0.49	51.2
Women (18 years and over)	12.93	.29	44.6
All workers	19.44	.40	48.6
Average hourly earnings,[3] cotton textile industry, same period:			
Men (21 years and over)	20.44	.40	51.1
Women (18 years and over)	11.90	.25	47.6
All workers	14.09	.29	48.6

BRAZIL[4]

Minimum and maximum hourly rates[5] of pay for 18 companies in Sao Paulo, 1942–43:

Class of worker:	*Rate of pay per hour*
Laborer:	
Unskilled	5¼ to 7½ cents.
Semiskilled	5½ to 8½ cents.
Skilled	5½ to 14 cents.
Truck, skilled	6¾ to 12 cents.
Watchmen	5½ to 10½ cents.
Painters	6 to 15 cents.
Carpenters	6 to 12½ cents.
Joiners	7½ to 15 cents.
Mechanics:	
Adjustment	8 to 27½ cents.
Automobile	8 to 15 cents.
Assistant	5½ to 12½ cents.

[1] Source: Bureau of Labor Statistics.
[2] Pound=$4.04; 12 pence=1 shilling; 20 shillings=1 pound.
[3] Source: British Empire Unit, Bureau of Foreign and Domestic Commerce.
[4] 1 cruzeiro=5 cents.
[5] Source: American Republics Unit, Bureau of Foreign and Domestic Commerce.

BRAZIL—Continued

Minimum and maximum hourly rates of pay for 18 companies in Sao Paulo, 1942–43—Continued.

Class of worker—Continued.	*Rate of pao per hour*
Automobile solderers	7½ to 15 cents.
Welders	7 to 15 cents.
Electricians	8½ to 17½ cents.
Bricklayers	5 to 57 cents.
Assistant bricklayers	5½ to 10½ cents.
Blacksmiths	6½ to 15 cents.
Foremen	11 to 20 cents. [1]
Assistant foremen	8½ to 14 cents.
Gangers	5½ to 20 cents.

Employees (Brazilians) can be hired on the following basis:

Position:	*Per month*
Office manager or auditor	$100 to $125.
Bookkeepers	$40 to $75.
General clerks	$25 to $40.
Secretary-stenographers (English and Portuguese)	$90 to $120.
Stenographers (English and Portuguese)	$80 to $110.
Stenographers (Portuguese only)	$40 to $60.
Typists	$30 to $40.
File clerks	$30 to $40.
Telephone operators	$22.50 to $35.
Office boys	$15 to $25.

Brazil has a minimum-wage law. By Federal Government decrees of November 10, 1943 (Nos. 5997 and 5998), monthly minima were established for the federal district (lower rates were set in other sections) as follows:

For all adult workers, 360 cruzeiros, or $18.

For all industrial workers, 410 cruzeiros, or $20.50.

COST OF RAW COTTON

United States (United States cotton), August 10, 1945, 22.6 [1] cents per pound.
Britain (United States cotton), August 7, 1945, 20.9 [2] cents per pound.
Brazil (Brazilian cotton), August 10, 1945, 14.5 [3] cents per pound.

Mr. TAYLOR. These figures speak for themselves. The labor and material cost advantages of Brazilian cotton-textile mills are such that competent engineers tell us that the only way United States concerns can compete in the Latin American market is to build branch factories there and employ native labor.

The problem is of course not limited to exports. We do not know what the future tariff situation will be, but at least the possibility exists that our erstwhile and prospective competitors in foreign markets may give us a tussle right here at home. In any event, there must be a limit to the rise in production costs if we are not to price cotton textiles out of the market, both here and abroad.

Special note on furniture: Studies of the 65-cent minimum wage and its effect upon the costs of southern furniture manufacturers show that if the 65-cent minimum wage is put into effect and if all employees are increased as much as the minimum employees, it would increase the sales price of furniture about 14 percent. If all employees were increased percentagewise as much as the increase in the minimum, it would increase the prices of furniture about 20 percent.

The principal raw material used in the manufacture of furniture is hardwood lumber, which is produced in the South. We have called upon several large lumber mills to tell us how much lumber prices would be increased if a 65-cent minimum wage were made effective. We find that some of the lumber mills are paying a minimum wage of 50 cents an hour and others are paying minimum wages ranging anywhere from 40 to 50 cents. Accordingly, the estimates on the increased costs vary. However, several of the more prominent lumber

[1] There is a subsidy of 4 cents per pound on cotton exported from the United States.
[2] Converted from 12.45 pence. This is a British Government-controlled price.
[3] Price at Sao Paulo.

manufacturers tell us that the increase would vary anywhere from 20 to 30 percent in the present prices. Inasmuch as lumber represents about one-fourth of the sales price of furniture, this means that the furniture manufacturer would have to pass on the increase in his prices ranging from 5 to 7½ percent to cover the increased lumber cost. This means that the total increase in furniture prices covering furniture wages and lumber wages alone would be about 25 percent.

Conclusions and recommendations: Various other questions might be raised bearing upon the economic feasibility of the proposed minimum wage rates at this time. For example, it has been found—notably in Sweden—that the higher you raise the statutory minimum, the more the differentials between different job classifications tend to disappear. Obviously this presents social and economic issues of the highest importance.

To be sure, the bill contains a provision—Section 8—authorizing and requiring the fixing of minimum wage rates for interrelated job classifications above the absolute minimum, but, while such a requirement might obviate the difficulty to which I have just referred, it would create others far more serious. I question whether the public—or even industry—as yet appreciates the far-reaching and even revolutionary implications of this part of the bill. It in effect provides for Government wage fixing at all levels and for all industry. And it could be operated successfully only if accompanied by the rigid control of prices—all of which adds up to further and drastic regimentation, not only of the employers but of the workers. For these reasons, and also because this proposal completely distorts and perverts the original and legitimate objective and function of minimum wage legislation, we earnestly hope you will reject it.

We should also like to join with the Cotton Textile Institute—and for the reasons stated by Mr. Murchison—in urging the elimination of section 16 (b), which permits an employee to institute legal proceedings for unpaid wages and overtime compensation, and an additional equal amount as liquidated damages, at any time within 5 years of the accrual of such liability.

So far as I know, all are agreed as to the desirability of a higher standard of living for all our people and especially those in the lowest income brackets. There is a serious question, however, as to whether these increases, if granted, would not prove illusory. In the case of all the commodities and products with which we are familiar, any increase in production costs would have to be accompanied by a commensurate upward adjustment of ceiling prices.

Furthermore, the direct impact of increases in labor costs upon the cost of living is not the only one. Industrial labor competes with farm labor and both tend to rise or fall together. We do not know how long the farmers can continue to pay even the existing wage rates in the absence of an increase in prices, or subsidy, or both, but the forces with which the committee is dealing are clearly inflationary.

The main point I would make in conclusion, however, is the fact that, as the record now stands—and as Senator Ellender recently remarked—it contains no sufficient evidence that industry can pay the proposed minima, plus the necessary adjustments in the upper brackets, without substantially curtailing employment. True, Mr. Hinrichs refers to the increased and increasing productivity per man-hour. But as he himself pointed out upon another occasion—and I

refer you to Bulletin 663, BLS, page 54—such productivity increases gradually, while the costs attributable to a wage adjustment such as that here involved is sudden.

In view of the foregoing, we respectfully urge that the committee wait until reconversion gets under way and we can better appraise what conditions are going to be like before approving this or any similar legislation.

I thank you.

Senator TUNNELL. Thank you very much.

We will recess, subject to call.

(Whereupon, at 5:15 p. m., the subcommittee adjourned, subject to call.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

TUESDAY, OCTOBER 16, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m., in room 424–B, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Senator Morse; Charles Kramer, consultant to the committee.

Senator TUNNELL. The committee will please come to order.

Mr. Linder.

TESTIMONY OF TOM LINDER, COMMISSIONER OF AGRICULTURE, STATE OF GEORGIA

Mr. LINDER. My name is Tom Linder, and I am commissioner of agriculture for the State of Georgia.

The National Association of Commissioners, Secretaries and Directors of Agriculture is a nonprofit membership organization comprising the commissioners, secretaries, and directors of agriculture of the 48 States.

The constitutional and statutory duties of the members of the National Association, in addition to a general supervision of agricultural crop yields and the processing and marketing of agricultural productions, have largely to do with financial, social and other economic benefits which can be effected in behalf of farmers, planters, processors, and agricultural industries within their respective States.

I am a member of the National Association and am in close contact with the activities of that organization. I am appearing before you as commissioner of agriculture of the State of Georgia but, by reason of my contact with the National Association, will say that am confident that the views which I am expressing here are in accordance with those of the other 47 members.

The rights of labor are the same whether that labor is an organized group or an unorganized group.

The rights of labor are the same whether that labor consists of physical effort, mental effort, or a combination of both.

There is no difference under our constitution between the rights of different labor groups. What appears to be a difference in their rights is simply a difference in their ability to enforce their rights.

Indeed, it is very easy to confuse the rights under the Constitution of a group with their power to enforce their demands.

Every American is supposed to subscribe to the oath of allegiance to the flag of the United States.

I pledge allegiance to the flag of the United States of America and to the Republic for which it stands, one Nation indivisible with liberty and justice for all.

This does not say justice for any particular group. It does not say justice for those who are organized strongly enough to enforce their rights. It does not limit justice to those who labor in any particular field of industry. It does not limit justice to those who contribute to the Nation's economic welfare in any particular manner but it provides justice for all.

I also want to make it perfectly clear that we are not opposed to that portion of labor that is organized; on the other hand, we are their friends. We stand ready at all times to go to bat to see that they are not denied full justice in every way under our national economic set-up.

I also wish to make it clear that I am not appearing in any sense in opposition to labor and its demands at this time.

I believe without going into any discussion of the merits or demerits of what has already been done, that our Nation is faced today with an economic condition that makes it vitally necessary for all labor to receive high wages in terms of money.

I believe it is equally necessary, from the standpoint of the Nation's welfare, for all white-collar workers, professional people, school teachers, and so forth, to receive high salaries in terms of money.

Likewise, I believe it is most essential for all farm crops to bring high prices in terms of money.

This necessity is brought about by reason of tremendous national debts and other public debts which will prove a crushing load on the taxpayers unless very high incomes are to be had, together with a very large national income which will make it possible to refinance and carry this tremendous load of debt until it can be reduced and a sufficient part of it retired to leave only a manageable balance.

I have, I hope, made it perfectly clear that we are not antagonistic to any other groups. I would like to proceed to demonstrate to the members of this committee just where the American farmers now stand in the over-all picture of our American economy.

From governmental sources I have prepared certain tables of figures, which will demonstrate in a very concise way the picture of the farmer's present condition. I believe that unless this picture is materially changed, that a tremendous economic upheaval in this country, and perhaps world-wide, is inevitable.

Since this hearing is concerned with industrial wages, I shall make comparison between the farmers' condition and industrial labor.

Let us go back to the years that the Democratic administrations have chosen as the base years. Let us assume that during these years the farmer was on an equality with business and industry. Let us compare his prices during that period with factory workers' pay during that same period; then, let's compare the price that the farmer gets for his crops today with factory wages today and see just how the farmer has fared for the last 35 years.

If farm prices today bore the same relation to factory workers' wages that they did during the base period, then the farmer today would be getting the following prices for basic farm products and crops:

For cotton, he would receive 52.20 cents per pound.

For corn, he would be receiving $3.30 per bushel.

His wheat would be bringing $4.45 per bushel.

Hogs in Chicago would be 38 cents per pound.

The average price of beef cattle in Chicago would be 39½ cents per pound.

HOW MUCH OF A FARMER'S CROP SHOULD PAY FOR AN HOUR OF FACTORY LABOR?

All figures used here are from United States Government statistics, authority for which I will cite at the close of this statement.

During the 5-year period of 1911–15, the average wage of factory workers was 21.73 cents per hour. During the year 1944 the average factory wage was $1.01½ per hour. This is an increase of about 500 percent.

From 1911–15 to 1944 the net change in the price of the farmer's 5 basic commodities was as follows:

	1911–15	1944
Cotton (cents per pound)	10.44	20.51
Corn (cents per bushel)	66.10	112.00
Wheat (cents per bushel)	89.00	141.00
Hogs (cents per pound)	7.60	13.20
Beef cattle (cents per pound)	7.89	10.74

The following table shows the increase from 1911–15 to 1944 of the number of pounds of these five basic commodities required to pay for 1 hour of factory labor:

	1911–15	1944
	Pounds	*Pounds*
Cotton	2.08	4.95
Corn	18.40	50.75
Wheat	14.70	43.20
Hogs	2.80	7.70
Beef cattle	2.70	9.40

Further on in this statement I will submit tabulations which show how this change came about during the years.

For the benefit of any who might wish to make a party issue out of these facts, I would like to call attention of this committee to the fact that for either political party to try to make a party issue out of these facts would simply be a case of the "pot calling the kettle black."

According to these governmental statistics the national administration in 1926–30 made the following increases in the number of pounds of each of these five basic commodities that were required to pay for 1 hour of factory labor as compared to the period 1911–15:

	1911–15	1926–30
	Pounds	*Pounds*
Cotton	2.08	3.61
Corn	18.40	40.30
Wheat	14.70	32.90
Hogs	2.80	5.40
Beef cattle	2.70	4.70

The next table shows the increase in the number of pounds of these five basic commodities that were required to pay for 1 hour of

factory labor during the period of 1936–40 as compared with the period of 1926–30:

	1926–30	1936–40
	Pounds	*Pounds*
Cotton	3.61	6.48
Corn	40.30	57.90
Wheat	32.90	49.00
Hogs	5.40	7.80
Beef cattle	4.70	6.30

In passing, I would like to call the committee's attention to the period 1931–35 which was partly Republican and partly Democratic.

Let us compare this period 1931–35 to the base period 1911–15.

The following table will show the number of pounds of each of these five basic commodities required to pay for 1 hour of factory labor during these two periods:

	1911–15	1931–35
	Pounds	*Pounds*
Cotton	2.08	5.46
Corn	18.40	57.50
Wheat	14.70	51.08
Hogs	2.80	8.90
Beef cattle	2.70	6.70

LABOR LAWS MUST BE BUILT UPON THE SAME BASIS AS ALL OTHER LAWS IN A DEMOCRATIC SOCIETY—EQUALITY OF ALL BEFORE THE LAW

There is no difference in the principle of enacting laws to guarantee labor a minimum wage and a law to guarantee the farmer a minimum price for his crop in line and on an equality with such labor wage.

In fact the price which the farmer receives is the farmer's wage for his labor.

There is no difference in the principle involved. There is, of course, a marked difference in the position of the two groups. One group is in position to demand. The other group can only ask for justice at your hands.

One of the remarkable signs of the times is the fact that some of the labor leaders today are demanding higher wages for their own organized groups and are at the same time demanding lower wages for the farmer—the unorganized group.

There is a persistent and insistent demand, largely Government-inspired, to force the American farmer to accept wages on the same basis as is now paid in other countries of the world.

They propose to force the farmer to accept low world standard wages by forcing him to sell his crops in competition with and at world prices.

The very basis and foundation of our national economic policy is symbolized by the Smoot-Hawley Tariff Act of 1930.

The reason that I say the Smoot-Hawley Tariff Act symbolizes the basic thinking of America is because it was passed by the Republican administration and has been kept in force by the Democratic administration since March 1933, more than 12 years.

The very foundation rock is protection of American producers and American labor against cheap wages and cheap commodities in the world market.

Suppose that the farmers of America were strongly organized as a group. Suppose that such a farm organization should demand very high prices for farm products in the United States. Suppose that such farm organizations at the same time demanded a cut in industrial wages to the world level.

If this were the case, I presume that almost everyone would say that the farmers making such demands were unfair and unreasonable to the other working people of the country.

Is it not obvious to every person that it is equally unfair and unreasonable to expect the farmer in the United States to labor for a wage that is in line with the world level?

The American farmers cannot produce at world prices or even at the present United States prices of farm products and maintain decent American living standards.

THE AMERICAN MARKET FOR THE AMERICAN PRODUCER

We have never had a substantial surplus of farm products in the United States in the last 25 years.

What we called surpluses were imported.

Over a period of the last 15 years we have consumed the equivalent of 35,000,000 bales of cotton more than we have produced.

Had it not been for imports of rayon, jute, wool, cotton, and cotton and wool manufactures and semimanufactures, America would have consumed every bale of cotton produced even if there had never been any crop control.

From 1931 to 1941, according to Government figures, we imported the equivalent of 33,000,000 bales of cotton and cotton substitutes.

They tell us that farm mechanization will reduce the cost to the farmer of his crops.

Modern improvements and mechanization in cotton mills have not reduced the cost of a yard of cloth.

Modern improvements and mechanization in garment factories have not reduced the price of garments.

Modern improvements and mechanization have not reduced the cost of transportation or of communication.

Is it reasonable to suppose that modern improvements and mechanization will reduce the per unit cost of farm products? I say it is not to be expected.

While I represent a State in the old Cotton Belt the figures that I have presented make out a case equally well for other farm sections.

Cotton is not the problem alone of the South, it is equally the problem of the balance of the country.

In the South lies the natural market for tremendous amounts of industrial goods.

In the South lies the potential for the production of vast quantities of meat, dairy products, poultry, eggs, fruits, and vegetables.

Every time that a cotton farmer is forced to abandon cotton it means additional production of corn, wheat, meat, and so forth, to compete with the farming States of the West and the Middle West.

Every time a cotton farmer is forced to abandon cotton it means a decreased supply of food, feed, and fiber for the national economy.

Whatever you do, be fair.

Whatever you do be fair with regard to industrial wages. Be fair to the farmer. Be fair to the unorganized groups. Be fair to yourselves and be fair to America. Feed us all out of the same spoon.

Now, all the figures that I have referred to here were taken from or based on the Statistical Abstract of the United States of 1943; Crops and Markets of the United States Department of Agriculture, July 1945; and Information Relating to Cotton Problems issued by the United States Department of Agriculture, November 1944.

Now, in conclusion, it is impossible for Congress to increase the sum total wages of industrial labor unless at the same time a corresponding increase is made in farm prices. The reason for this is that the total of the Nation's factory pay roll does not and cannot very far exceed the sum total of the cash income of the farmers. This statement is fully proven by the official records of the United States Government year by year.

If the hourly pay of factory workers is increased without at the same time increasing the farm income, it simply means there will be fewer jobs for factory workers. A smaller number of factory workers will receive increased wages. The balance of the factory workers will be without any job at all.

The records of history show that neither a republic nor a democracy can long endure where private ownership of property does not exist. This is true because in a republic or a democracy the voters themselves are the ultimate government. Where private property does not vest in the voters, it is only natural and it is inevitable that the voters will exercise their ultimate prerogative and take charge of all property in the name of the government. This is not only proven on the pages of history but it is being proven in current affairs today. We have but to look at England, France, Russia, and many other nations even today to see the vital truth of this statement.

The farmers of this Nation constitute the great bulwark of protection to private property of every kind and description in this Nation. Without a strong and prosperous agriculture and without a large aggregation of landowning farmers, no man could feel that his investment and capital were safe, whether they consisted of cash and intangibles, whether they consisted of factories and railroads, whether they consisted of land and houses, or whether they consisted of any other form of capitalism.

The sum total of all wages, salaries, and profits is limited by the national income. The national income is limited by the farm income. The national income is seven times the farm income, it cannot be very much more and is never much less.

The truth of this natural economic law is strongly recognized by the United States Steel Corp. and the Tennessee Coal, Iron & Railroad Co. in the current October issue of the Manufacturers Record. I invite your attention to this direct and unequivocal statement by one of the largest business organizations in this country to the fact that the farm income controls the national income.

Now, I would like to add to this observation, and that is we know, as a matter of history, that private property is a basis, and is a necessary basis for all republican and all democratic governments, and wherever private property has ceased to exist, the democratic or the republican form of government has falled and a dictator has taken its place.

Now, we are not dependent upon the pages of history to see that happening today, we only have to look at England, France, Russia, Poland, and a great many other nations, to see that whenever a large aggregation of landowners and property-owing voters is eliminated and your population becomes one-sided, on the side of non-property owners, that private ownership of property is immediately doomed, because the voters themselves are the ultimate government in a republic or in a democracy, and as soon as they become property owners they seek to take over all property in the name of the government, which they imagine will benefit their own condition.

I believe, Mr. Chairman, that that is substantially what I had in mind to say.

I do not know if you have any questions.

Senator SMITH. I have some.

Do I gather, Mr. Linder, from your statement where you say you approve of high wages and high prices for farm products, that you advocate what you might call a mild inflation. Is that your thought?

Mr. LINDER. I would answer that in this way: I think we would first have to admit that we already have inflation. I think that this large debt has been created under inflation and I think it can only be retired under inflationary conditions.

Senator SMITH. Then you would look forward to a general price rise all along the line?

Mr. LINDER. Yes, sir.

Senator SMITH. I assume you, along with the rest of us, would not want to see a runaway inflation, but you do approve a general rise in prices.

Mr. LINDER. No; I think it must be maintained at least as high as the conditions under which it was created. I think that the only way to pay this debt is to pay it on wage and price levels at least as high as those existing at the time the debt was created.

Senator SMITH. You mean the war price level?

Mr. LINDER. Yes.

Senator SMITH. Now, let me ask you another question, Mr. Linder.

In figuring your returns to farmers, do these figures include allowances for the cost of living that the farmer gets in owning his own home or raising his own food? The general statistics you gave as to the relationship of the wage of the worker to what the farmer gets for his crops, do you charge the farmer with a reasonable rental for his home and the food he gets from raising his own food?

Mr. LINDER. Well, no.

What I did there I took simply the number of pounds of these basic commodities that were required to pay for 1 hour of factory labor at these different periods.

Senator ELLENDER. That is if the farmer had to pay the same price for field work?

Mr. LINDER. It did not make any difference what price the farmer paid, as far as the figures were concerned. We simply took so many pounds of corn in one period for an hour of labor, and then in another period we took so many pounds of corn or cotton, for an hour of labor.

Senator SMITH. That is related to prices, of course. What I am getting at, did you figure what the farmer was getting? Did you charge him for the rental of his house, or for raising his own food?

Mr. LINDER. No, sir.

I figured how many pounds of corn he would have to sell at the market price to pay for 1 hour of labor in the factory.

Senator ELLENDER. If he employed the labor on the farm?

Mr. LINDER. It has nothing to do with labor on the farm. This is factory labor, because when the farmer buys a plow, a machine, or some other thing, whatever he buys he is buying factory labor and he is paying this price for it.

I figured how many pounds of his own product it cost to pay for that cost per hour of factory labor.

Senator TUNNELL. You are simply comparing the price of labor with the price of farm products?

Mr. LINDER. Yes.

Senator SMITH. What would be your theory of bringing about the right relationship, whatever you might think that would be?

Do you favor Government subsidies?

Mr. LINDER. No, sir; I am opposed to Government subsidies.

In my own opinion, this country has reached a condition where it has got to be saved by strong methods. I do not know of any reason why, if you can go out here and say that the price of hauling a ton of freight from Washington to Atlanta shall be a certain price, or the price of talking on the telephone from Washington to Atlanta shall be a certain price, or that the price of labor shall not be less than 60 cents an hour, I do not know of any reason why you should not say with equal clarity that the minimum price of a pound of cotton shall not be less than a certain figure, or the minimum shall not be less than a certain figure for a bushel of corn.

I do not think it is necessary to have all these Government loans and credit control to do that. You do not undertake to say how many boxcars a railroad shall have or how many it shall not have in order to say the freight rate shall be a certain price; you simply provide a freight rate, and if the railroad has more boxcars than it needs, it simply lets some of them sit on the sidetrack. If you put a minimum price on a farm crop and the farmer had more than that to sell, I do not know of any reason why he should not let the balance of it sit on the sidetrack and wait until the market can consume it.

Senator SMITH. What do you do in case of perishables?

Mr. LINDER. Perishables take care of themselves. In about a week they would be gone.

Senator SMITH. Would the farmer take that loss then?

Mr. LINDER. The Government is doing nothing about that now.

Senator SMITH. I do not quite get your theory.

How are you going to peg your prices?

Mr. LINDER. Just like you do the railroad freight rate; you just simply make a law that a man cannot haul it for less than that amount, and you do not let the railroad haul it for less than that.

If you say a buyer cannot pay less than a certain price for a farm product, you are just doing what you are doing in the other instances.

Senator SMITH. Suppose he will not pay it?

Mr. LINDER. Suppose a man will not pay the freight rate, he just lets the watermelons lie in the field and rot.

I might say in that connection that the American market will consume every pound and every bushel of farm products if you shut out these imports.

Senator SMITH. I am interested in that. The next question is along that line.

Don't you think if we should raise the living standards of all our people by having general wage increases, that there would be a far greater demand for farm products than where people are living just on subsistence levels?

Mr. LINDER. Yes.

Senator SMITH. I have seen figures showing wherever you had high standards of living people bought more foodstuffs than where they just had a margin standard of living.

I have seen figures to indicate where they had high standards of living, there was a rise in consumption of foodstuffs right here at home.

Mr. LINDER. In that connection, I would like to ask permission, as soon as I get them over here—I am having some photostats made now—I would like to have some charts become a part of this record, showing that the over-all factory pay roll is limited by your farm income.

In other words, on account of the national economic law it is impossible for Congress to raise the over-all amount of money that factory workers will receive unless farm income is raised at the same time and to the same extent.

If you raise the per hour wage without providing money to pay the wage, it means that a number of those now employed will get higher wages but a number of those now employed will simply go out of employment and be without any job at all; because the total number of dollars that will be available for the pay roll for factory workers will still be limited by the farm income.

Also, the national income which regulates everybody's profit and everybody's salaries and everybody's wages, is limited to seven times the farm income.

I would like to call the attention of the committee to this fact, which I think is very significant, that the United States Steel Corp. and the Tennessee Coal, Iron & Railroad Co. in this month's issue of the Manufacturers Record, of which I will give you a photostatic copy a little later, came out and endorsed the idea, and said that according to their own investigation that is true.

I assume that when as big a business as the United States Steel Corp. is willing to come out in public print and take a position like that, it at least would be sufficient to prompt an investigation of your body into that fact, that your cash farm income multiplied by seven is necessarily your national income, and that the amount of your farm income is the limit of your factory pay roll; and whether your factory pay roll or your wages are higher or lower will simply determine the number of jobs available and will not increase the over-all pay roll, the sum total of the pay roll.

Senator TUNNELL. Senator Ellender?

Senator ELLENDER. Mr. Linder, industrial wages have increased considerably during the war. What effect did that have on the rise of farm labor costs?

Mr. LINDER. Well, it has increased in my State the cost of farm labor on an average of about a dollar to about $3 a day.

Senator ELLENDER. Do you have any idea whether or not if the pending bill is passed, it will have the tendency of increasing the hourly wage beyond that which prevailed during the war?

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Mr. LINDER. It will do two things, Senator. It will increase the wage that the farmer will have to pay and it will also increase the number of people, laborers, who will be available on the farm, provided, of course, they can get jobs in some of these high-price industrial plants.

Senator ELLENDER. It is your belief, then, if this bill passes it will have the tendency of further increasing the price of farm labor?

Mr. LINDER. Yes; I think it will.

Senator ELLENDER. That is all.

Senator TUNNELL. Thank you, Mr. Linder.

(Charts submitted by Mr. Linder were unsuitable for reproduction and are filed with the record of the hearings.)

Senator TUNNELL. Is Harry Bridges in the room?

TESTIMONY OF HARRY BRIDGES, PRESIDENT, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION

Senator TUNNELL. Give your name and your position.

Mr. BRIDGES. Harry Bridges, president of the International Longshoremen's and Warehousemen's Union, affiliated with the CIO.

Senator TUNNELL. All right, you may proceed in your own way.

Mr. BRIDGES. Gentlemen, previous witnesses from labor; that is, A. F. of L. and CIO, have testified eloquently and persuasively as to the human reasons why we must move as a nation to abolish the worst aspects of poverty in the United States. Your committee has heard a succession of rank and file witnesses tell the pathetic story of their struggles to live on less than a subsistence wage. Their story has been told in the moving accounts of men and women from the sweat factories, mills, and shops that still spread over our country. There is nothing that I feel need be added to their living, first-hand accounts.

There are human reasons why we must pass this bill to increase minimum wages first to 65 cents an hour and then to 75 cents. These reasons, taken from the day-to-day experience of workers whose daily lot is the most extreme form of exploitation, should weigh heavily in your deliberations on this bill. I know that you have listened to them with sympathy and the desire to do the thing that is in your power to alleviate their lot.

With your permission, I would like to let the human side of the case for this bill rest with the rank-and-file witnesses from American industry who have appeared before your committee. I would like to address myself now more to the cold economics of substandard wages—and of the wage issue as a whole—in my testimony before you. I do this not in any desire to overlook the human issues involved, but rather to supplement them as well as I can with the economic experience of the men and women in the industries covered by the International Longshoremen's and Warehousemen's Union, which I have the honor to represent.

I appear here as the representative of 65,000 members of the International Longshoremen's and Warehousemen's Union, a union representing men and women in the continental United States, Hawaii, and Puerto Rico. Our union voices not only the needs of our own members, but the needs and aspirations of the average American everywhere—including the men who fought to give all working people everywhere a chance at a decent and a secure life.

The objectives of this bill before the Congress now were long ago the objectives of our union. Our union organized, struck, and struggled for the purposes of this bill before wage-and-hour legislation was ever conceived by the Congress. Many years ago, we fought through many bitter strikes. We were shot, clubbed, and gassed because we asked for a shorter workweek and system of hiring that afforded greater work opportunity for the individual worker. We were fighting for jobs and job rights. We fought for these issues as we could not have fought for wages. We won because these rights were so vital they could not be surrendered. In their simplest terms they represented the right to work and the right to a decent family and community life.

Because we have gone through this experience and have a perspective of better than 10 years, I believe our experience is of some value to you. My union fought for and apparently won the 6-hour day for west coast longshoremen in 1934. It still appears in our contract. And yet over the years we have lost it. Longshoremen on the Pacific coast do not have a 6-hour day. They have an 8-hour day with 2 hours' work guaranteed them at time and a half. We fought for the right to work 6 hours and go home. We found we were forced to use our union's economic and political strength to fight for overtime. Less men working, more hours worked. We ended with 9 hours' pay for 8 hours' work at a correspondingly lower hourly rate.

Longshoremen, I should explain, on the west coast, are one division of our union, and they comprise about one-third of our membership. They work in the general distributing industries, waterfront terminals, warehouses handling cold storage, other forms of food, as well as the ordinary public warehouses.

In other words, the general warehousing industry as a whole.

Most of our membership in that part of the industry is closer to tidewater and terminals, rivers, lakes, and sea, you might say.

Senator TUNNELL. I sort of associated the word "longshoremen" with those who load and unload ships. Is that right?

Mr. BRIDGES. Well, generally that is the accepted term, but as the maritime industry changes, and it is changing rapidly, a longshoreman really changes into a freight handler.

Part of his time he can be working at actual longshore work, meaning the actual loading of goods on and off a vessel, and part of his time, mostly now through the development of machinery, technological devices, he is working at other types of work, unloading cars either by better physical labor or by machinery, working in a warehouse, working around docks and terminals.

By the way, industry is progressing; the old term of a longshoreman does not truly describe what the work is or what the individual does. Of course that has been true throughout all the years of the maritime industry.

Originally a longshoreman was what the name implies. He was someone that roamed along the shore looking for work on an old sailing ship when it came into port. Generally the crews of the ships used to do the work and the longshoreman was a roustabout, picking up a job here and there mostly when the members of the crew were drunk, and were not available, and I am sorry to say it happens even now.

Senator TUNNELL. Do they still do that?

Mr. BRIDGES. Yes; now and again I see a seaman get drunk.

We attempted through a well-organized union, some 10 years ago to do in essence what this bill seeks to do, to reduce the hours of work and at the same time to give working people mainly a decent and normal way of life.

We went into a big strike in 1934, and we had written into the contract that came out of that strike, as the result of a decision by an arbitration board, a 6-hour day.

That 6-hour day is still in our contract. It was our purpose at that time to have a 6-hour working day, meaning the men would work 6 hours and go home. It was hard work, and although their wages might not be as much as if they had worked overtime, we thought that the gains of a short working day at hard work, and some time at home, counterbalanced what extra money might be made through working overtime.

However, that is not the way it worked out. The longshoremen at the present time on the Pacific coast do not have the 6-hour day, they have the 8-hour day, with 2 hours of work guaranteed them at time and a half.

We fought for the right to work 6 hours and go home. We were forced to use our union's economic and political strength to fight for overtime—in other words, less men working with more hours of work. What we ended up with was, in effect, a provision in our contract guaranteeing our men 8 hours if work was there, with 6 hours of it paid at a straight hourly rate and the other 2 hours at time and a half.

Senator ELLENDER. What is the hourly rate now and what was it then?

Mr. BRIDGES. At the present time, it is $1.10 per hour, and at that time it was 85 cents an hour.

Senator ELLENDER. That is back in 1934?

Mr. BRIDGES. Back in 1934; yes, sir.

Senator ELLENDER. What position did your organization take with respect to the present wage-and-hour law when it was being considered by Congress?

Mr. BRIDGES. Of course, we supported it.

Senator ELLENDER. Did any of your members appear before the Education and Labor Committee in support of it?

Mr. BRIDGES. Not directly. I think we were represented by our affiliated groups. Our union did not, itself, appear.

Senator ELLENDER. How would this bill affect your organization?

Mr. BRIDGES. Well, in terms of wages, that is the 65 cents an hour, it would only affect a very small number of the workers organized in our union.

Senator ELLENDER. What effect would it have in upping the present hourly rates that are being received by your membership?

Mr. BRIDGES. It would not have a great effect. That is, if what you mean is those members in our union who are getting less than 65 cents an hour now, as to how many of them would be affected, not a large amount, but some of them would.

Senator ELLENDER. What percentage, do you know?

Mr. BRIDGES. Offhand I could not say. It would be purely a guess. But we have members right here in this city, members of our union working in warehouses where their wages probably average around 40 cents. It would affect them. It would mean a 25-cent-an-hour increase in wage.

Senator ELLENDER. When you say that hourly wages were 85 cents in 1934, you mean on the Pacific coast?

Mr. BRIDGES. I was confining this particular statement to one group of our workers, namely, the Pacific coast longshoremen.

Senator ELLENDER. Do you know what the rates were in other parts of the country?

Mr. BRIDGES. For the same work?

Senator ELLENDER. Yes; the same class of work.

Mr. BRIDGES. I cannot quite remember it. In some places it was higher, I think, or the same. I think in the North Atlantic ports of the United States the rate was either the same or 5 cents an hour more. In the South Atlantic ports, I think it was less, either 15 or 20 cents an hour less, and in the Gulf ports it was also less, either 5, 10, or 15 cents an hour less.

Senator ELLENDER. You mean less than 85 cents?

Mr. BRIDGES. Yes; I think it was something like 70 or 75 cents.

Senator ELLENDER. What do you mean when you say that some were receiving 40 cents?

Mr. BRIDGES. Well, I was talking about that part of our membership that at the present time receive 40 cents an hour. We have workers affiliated with our organization in the city of Washington here whose wage rates right now are 40 cents an hour.

Senator ELLENDER. They are not longshoremen, they are just members of the CIO group?

Mr. BRIDGES. They are members of our union and of course indirectly members of the CIO. They are warehousemen.

Senator ELLENDER. Warehousemen?

Mr. BRIDGES. Yes.

Senator ELLENDER. I see. The differential then between those members of the group, that is, the warehousemen, and the longshoremen is 60 some-odd cents?

Mr. BRIDGES. At the present time, it is 70 cents.

Senator ELLENDER. Seventy cents, all right. Now, if Congress should raise the minimum wage of the membership of your union that is now receiving 40 cents per hour to as much as 75 cents what, in your opinion, would be the effect in causing the raising of wages of those in the upper brackets?

Mr. BRIDGES. No effect at all, unless we adopted a wage policy that said that the men getting $1.10 or $1.15 an hour should get an increase because workers that are getting 40 cents an hour are getting an increase. We would try to take the lower brackets and get them to the $1.10 rate, instead of taking the $1.10 bracket and get them up higher.

Senator ELLENDER. Doesn't it usually follow that whenever a particular group in a union gets a raise in wages that others in the upper brackets succeed in having their wages raised?

Mr. BRIDGES. Not in our unions, Senator. It does not follow in our union; it might in some, but, in my experience, it generally does not follow in our union.

Senator ELLENDER. When you say your union, you mean the Pacific coast union, or do you mean the CIO or all of the unions affiliated with the CIO?

Mr. BRIDGES. In this case, I mean the organization that I am an official of, the International Longshoremen's and Warehousemen Union.

Senator ELLENDER. Yes.

Mr. BRIDGES. To go back, although we started and fought for a 6-hour day we finally ended up with actually an 8-hour working day with 9 hours' pay.

Senator TUNNELL. Well, you did get a 6-hour day on straight time.

Mr. BRIDGES. That is right. That is the point. We got a 6-hour day on straight time, but the straight time rate was so long that there was not sufficient money for the men to live on, and they were not only forced to work overtime, they were forced to fight for the right to work overtime. Fighting for the right to work overtime is really the same as the union, or any organization, fighting for, or this Senate committee thinking of passing, a law that will create unemployment. That was our experience.

This experience was an instructive one for us and we will not make the mistake a second time. We offer this experience to the committee, in the hope that through suitable legislation, workers may get what inevitably they will be forced to seek through strikes. We offer this experience to the committee because it affords a clear and concise illustration of a grave inadequacy in past wage and hour legislation and, I am sorry to say, in the proposed legislation which you are now considering. The simple fact is that the overtime penalties provided in the present act are totally inadequate and the proposed legislation does not cure that defect.

Now, overtime rates really reduce wages and they cause unemployment. In a nutshell, that has been our experience in dealing with this problem.

Senator TUNNELL. What do you mean by that? I don't understand you.

Mr. BRIDGES. Well, I posed the question in that way in the hopes you would ask me just that, Senator. It is just as I have told you. Generally, throughout American industry straight-time rates for workers are so low that the income must be added to in order that a decent living wage is made. The usual term for it is take-home wages. Now, what is happening in the Nation today and what is underlying all these strikes today is that the overtime has been taken away from the workers and therefore their wages, in effect, have been reduced. They are all asking the same thing in principle, and correctly so. They want the 48-hour or 52-hour take-home wages that they were earning during the war for 40 hours of work. Therefore, it reduces the number of hours they are required to work a week to make a living wage and they get a higher basic or higher straight-time rate. Our experience with workers is if they get something like that they do not want to work overtime. The only reason overtime is worked is not to benefit the worker in any way, it is extra exploitation of the worker solely in the interest of profit, in the interest of industry and to the detriment of the worker, and that is detrimental to all phases of the worker's life.

Senator TUNNELL. And they had to fight for what would be detrimental to them?

Mr. BRIDGES. That is exactly what has happened in the last few years. That is based on my judgment and experience in the labor movement. In effect, it is something that is probably being considered here. I do not know what testimony has been offered in this sense—as far as I know not a great deal—but the purpose of my statement is to point out to the committee that overtime rates after 40 hours

in the wage and hour law are for the purpose of discouraging overtime. It has not done that.

Senator ELLENDER. That came about, of course, because of the war and the shortage in the labor market, did it not?

Mr. BRIDGES. Well, I think the war situation is an exceptional one. Certainly, during the war we offered no opposition to the working of longer hours.

Senator ELLENDER. You would not say that the present wage and hour law has had a fair trial, would you?

Mr. BRIDGES. I think it has had enough trial for our purposes, that is, meaning "our purposes" in the sense that we can look it over now and see what weaknesses it has and what changes it needs; and I am merely trying to suggest some changes that I think will create employment and afford a better way of life for the majority of the workers.

Senator ELLENDER. What effect will the provision in the bill we are now considering have on unions when the advisory committees under the law can go into any industry and maintain reasonable wage differentials between interrelated job classifications?

Mr. BRIDGES. There is nothing wrong in the committees doing that. I do not quite get your question, sir.

Senator ELLENDER. Under the bill, as I understand it, not only is a minimum wage fixed, but the advisory committees created under the bill will have the right to classify all jobs in an industry and establish wage differentials as to each classification.

Mr. BRIDGES. That is correct. That is just another way of saying a minimum wage is set and that minimum wage is based, generally speaking, I would say on living costs. It is another way of saying this is the minimum amount that a worker should get, no matter what he does, it may be purely unskilled labor, because he needs that to live on, and it is darn little at that.

Senator ELLENDER. The bill goes further than that. If this bill goes through as written it will mean that if the wages are raised, let us say 40 percent, that same percentage can be carried on by the advisory committees into all groups in the higher brackets.

Mr. BRIDGES. Yes.

Senator ELLENDER. All upper brackets.

Mr. BRIDGES. That is right, but on a different basis. It can only be carried on by the advisory committee after taking into consideration the training and skill of the worker, the value of a worker to a particular industry or operation.

Senator ELLENDER. But you are doing that now by means of collective bargaining.

Mr. BRIDGES. That is correct.

Senator ELLENDER. It is going to be done by law if the bill under discussion is enacted by Congress.

Mr. BRIDGES. It means it will allow the law to give collective bargaining a little help. Sometimes it does and sometimes it doesn't. My experience with collective bargaining is it depends upon the discipline and strength of the union that is doing the bargaining. It is generally true if the union is strong enough to take care of itself and knows how to take care of itself, it does not need the law. If it uses the law it would use it when it wants it, and it uses it in a helpful and constructive fashion.

Senator ELLENDER. You do not fear the effects on unionism if a Government agency steps in and establishes wages in place of the unions?

Mr. BRIDGES. Not our union.

Senator ELLENDER. Not yours. Yours is the most powerful in the country.

Mr. BRIDGES. I would not say that.

Senator ELLENDER. Judging from past performance I would say it is, because you usually get what you go after or else——

Mr. BRIDGES. That has not been the experience of our union. I just tried to testify here that we did not get what we wanted; we got something entirely different.

Senator TUNNELL. This bill, if enacted into law, covers more than union labor, does it not?

Mr. BRIDGES. It does. It covers unorganized labor. That is an important aspect of this bill. It covers people who have no protection until the time they are organized, which time maybe is not too far off. They actually need the protection of a law like this, in order that we can create more work and along with that better living standards. The lack of a higher minimum wage in certain sections of the United States right now is throwing our west coast longshoremen and warehousemen out of business.

Senator ELLENDER. How?

Mr. BRIDGES. Well, 2 or 3 weeks ago, Senator, in San Francisco I was a cochairman of a panel on labor and management. There was a northern California conference or forum called by the San Francisco Chronicle, sponsored by it. It was divided into five panels: One on labor-management, one on development of urban relationships, one on the relationships of farmers to Government and industry and labor, and so forth.

Now, it so happened that in the panel that dealt with agriculture—and that was very representative of agriculture in northern California—Mr. Ray B. Weiser, of the California Farm Bureau, who reported for the panel, actually came out and said in the interest of the farmer of California, there had to be an increase of at least 50 percent in the minimum wage. Now I sat in the panel for a while and I heard the various employers of farm labor get up and state that large areas of California were given over to producing beans, black-eyed beans and other types of beans, and a great part of the market is in certain southern areas of the United States; and the problem is that the workers in the southern areas cannot buy enough beans because they haven't got enough money, and therefore the farmers in California cannot sell their beans, and we cannot load them on boxcars or on ships or barges, so our men are out of work.

Senator ELLENDER. I do not quite get that. How much more freight tonnage is a longshoreman able to handle now from what he did in the past, due to technological advances; do you know?

Mr. BRIDGES. No one knows that. We have been trying, and I have approached the Department of Labor, and Admiral Land of the War Shipping Administration to have a study made, to do a job of research in order to ascertain just that, and no facts like that are available. Some facts have been developed during the war, but I do not think there are any facts available in any industry to bring it down to fine detail.

Senator ELLENDER. How many more or less men were employed during the war to handle the huge cargoes that were shipped across the seas in contrast to the number employed before the war, do you know?

Mr. BRIDGES. Well, I can answer that question for the Pacific coast ports. They moved a tremendous volume of freight. I would say roughly about two and one-half times more.

Senator ELLENDER. With more men employed?

Mr. BRIDGES. That is right.

Senator ELLENDER. More men engaged today or during the war than were employed before the war?

Mr. BRIDGES. That is right. That does not say that the volume of freight was not over two and a half times as great. It was much greater.

Senator ELLENDER. That is what I am getting at.

What is the difference in the volume of freight handled during the war and the volume handled before the war, do you know?

Mr. BRIDGES. I do not know, sir. A lot of the figures on that, after all, are confidential. They can be gotten, I believe, but much of it is military and naval information. I know the increase was tremendous. I know for one period out of the port of San Francisco alone, for about 4 months, more freight moved through the port of San Francisco than all of the other ports of the United States put together.

Senator ELLENDER. Well, have the loading and unloading facilities on the west coast been improved during the war?

Mr. BRIDGES. Very little.

Senator ELLENDER. So that technological advancement has not made much progress during the war.

Mr. BRIDGES. That is right.

Senator ELLENDER. Would you say that it would require the same number of men to handle the same amount of freight before the war as would be needed after the war?

Mr. BRIDGES. Well, no. I think the number that will be required after the war to handle the same amount of freight as was handled before the war will be less, because there have been certain improvements. For example, there have been certain improvements in ships.

Senator ELLENDER. That is what I was attempting to develop. In other words, there have been such technological improvements during the war that more freight will be handled from now on with less people than was the case before the war?

Mr. BRIDGES. That is absolutely true. We have got a long way to go, because improvement in technological devices and other facilities have barely gotten started. There will be tremendous improvement.

Senator ELLENDER. What effects do high wages have on the development of technological improvements to save labor?

Mr. BRIDGES. Well, I turn it around. I say, what effect does technological improvement have on high wages?

Senator ELLENDER. Put it any way you want. You have had a lot of experience in that field.

Mr. BRIDGES. Well, technological improvements of course, cut wages and they reduce the size of the labor force.

Senator ELLENDER. They not only reduce the size of the labor force but the per unit cost to handle it is cheaper, is it not?

Mr. BRIDGES. That is true, definitely.

Senator ELLENDER. Don't you know that what causes this technological advance is the fact that employers are forced at times to pay higher wages than they are able to bear?

Mr. BRIDGES. No, I do not know that. I think it has gotten to be a rule if any employer can prove on the record that he lacks the ability to pay wages, that is taken into consideration by the people asking the higher wages.

Senator ELLENDER. Under this bill the employer does not have a chance to do that.

Mr. BRIDGES. This is a minimum-wage bill.

Senator ELLENDER. I know that.

Mr. BRIDGES. Thinking of a minimum wage in terms of a wage that barely produces or purchases the bare necessities of life—if an employer is going to say, "I want to stay in business at a price of not being able to pay workers what will give them the bare necessities of life," I do not believe such an employer should be in business.

Senator ELLENDER. You stated that some members of your union today are not getting more than 40 cents, and there must be some reason for it, and one reason for it must be that the employer cannot pay it.

Mr. BRIDGES. That is not the reason.

Senator ELLENDER. Otherwise, you would force him to pay at least the amount received by your membership for the same work on the Pacific coast.

Mr. BRIDGES. Not necessarily. We did not call a strike during the war.

Senator ELLENDER. However, that is the way by which you obtain your higher wages, generally speaking. I am sure that if you, as a leader of a labor union, could force employers in Washington or New Orleans who are now paying 40 cents to pay more, that you would force them to do so, would you not?

Mr. BRIDGES. That is not exactly what we are doing here, Senator.

Senator ELLENDER. No, no, there is a difference. You are coming here and asking Congress to do it by law. In other words, you are asking Congress to do by law what you have not been able to do by collective bargaining.

Mr. BRIDGES. I did not mean to put it that way.

Senator ELLENDER. That is what you are doing. That is exactly what you are doing.

I repeat, the reason why you have not been successful, to my way of thinking, and when I say "you," I mean the unions—and they include not only the CIO but the AFL—in raising wages higher than 40 to 45 cents or more is because the employers could not bear the traffic?

Mr. BRIDGES. That is not so, Senator, not in our experience. Let us not start at 40 cents. We have succeeded in raising these wages from about 25 cents to 40 cents, and we intend to go further. It is true I am here pointing out we would be very pleased to have a law that would raise wages from 45 to 65 cents.

Senator ELLENDER. Of course, you would.

Mr. BRIDGES. That does not at all mean we would cease trying to get it by collective bargaining.

Senator ELLENDER. I would, too, if it were economically feasible. But the point I am trying to make with you is this: You have today, in many unions, as you just indicated in your own group, men receiving 40 cents an hour.

Mr. BRIDGES. That is right.

Senator ELLENDER. Now, why is it that you have not gotten more for them?

Mr. BRIDGES. Well, that is a long story.

Senator ELLENDER. What was it due to?

Mr. BRIDGES. It is not because the employers could not pay, that I do know. Now, it might be due to the fact, Senator, that during this war we had a no-strike pledge, and throughout the entire history of the war from 1940 on there has not been one stoppage of work by our union. We at no time resorted to the use of that weapon, and we might not resort to it in the postwar, either.

Senator ELLENDER. Let us revert to a period before the war. You stated that before the war you had some of your employees receiving 85 cents per hour.

Mr. BRIDGES. That is right.

Senator ELLENDER. Then, you had, at other ports such as New Orleans, or maybe at Gulfport, Miss., or maybe here in Washington, some who were receiving less than 40 cents an hour.

Mr. BRIDGES. That is true.

Senator ELLENDER. Why did you not try to obtain an upping of the wages in those sections at the same hourly wages that you succeeded in obtaining on the Pacific coast?

Mr. BRIDGES. Well, we tried to get an increase in wages, but not the same heights.

Senator ELLENDER. Why?

Mr. BRIDGES. After all, the 85-cent rate was paid to a group of men who are engaged in an industry where a certain set of factors had to be figured in computing that rate. Another group of people might be working in another industry where a different approach has got to be made in fixing their wage rates. But all along the line we sought to increase the wages of the men in the union, particularly those in the low brackets. We spent much more time and energy in the union trying to bring up the wages from 25 to 30 and around 40 cents than the wages of $1.10.

Senator ELLENDER. Before the war you made attempts to up wages and you were not successful?

Mr. BRIDGES. That is not so.

Senator ELLENDER. How is that?

Mr. BRIDGES. That is not so. We are generally being successful in our attempts to up wages.

Senator ELLENDER. When I say "upping them" I mean on the same level as these paid to your best-paid groups, that is what I mean. In other words, you have a group of employees on the Pacific coast that receive, let us say for argument's sake, 75 cents.

Mr. BRIDGES. Yes.

Senator ELLENDER. That same group—that is, a group doing the identical class of work down south, in New Orleans, or Mobile—is receiving 60 cents.

Mr. BRIDGES. Yes.

Senator ELLENDER. Why did not you succeed in making both groups receive the same wages for the same class of work?

Mr. BRIDGES. Well, it would be very nice.

Senator ELLENDER. I say, why did not you make them both the same? Why isn't it possible—let me put it that way—to force employers of the South to pay the same rate of pay for the same class of work as employers of the west coast?

Mr. BRIDGES. Well, of course, I really do not know which group of workers you are talking about. If you talk about the 85-cent group, the reason we have not been able to do it is because we have not gotten it across to the minds of another union that does not seem to be making a great deal of headway.

Senator ELLENDER. They are not as powerful as you are.

Mr. BRIDGES. They are much more powerful, Senator.

Senator ELLENDER. The point I wanted to make is this, and I am sure you will concede it, that your union as well as other unions have been unable to obtain the same rate of pay for the same class of work all over the country; isn't that true?

Mr. BRIDGES. I think that is true. I think that is certainly true.

Senator ELLENDER. What is the difference, in the amount of wages that is paid per hour, for the same class of work, let us say, for New Orleans, in contrast to the west coast or New York or Savannah?

Mr. BRIDGES. I think the reason for it is——

Senator ELLENDER. I am not asking you for the reason. What is the difference; do you know?

Mr. BRIDGES. Between the hourly pay?

Senator ELLENDER. Between the hourly pay for the same kind of work.

Mr. BRIDGES. I do not know.

Senator ELLENDER. Well, it varies considerably, does it not?

Mr. BRIDGES. That would depend. It would depend upon the degree of union organization. In the categories of work I know about it is the same or more.

Senator ELLENDER. The point is, though, they vary a great deal, don't they?

Mr. BRIDGES. I say where workers are organized in New Orleans or other places down there, it is the same or more.

Senator ELLENDER. Have you any union affiliates in New Orleans?

Mr. BRIDGES. Yes.

Senator ELLENDER. Very well. Were the members of your unions in New Orleans paid the same rate per hour before the war for doing the same work as those on the California coast?

Mr. BRIDGES. No.

Senator ELLENDER. What was the difference?

Mr. BRIDGES. The difference was——

Senator ELLENDER. I mean in pay.

Mr. BRIDGES. I cannot recall. There was quite a difference.

Senator ELLENDER. I do know there is quite a lot of difference. I cannot give it to you percentagewise, but I do know it was considerable. Here is what you are proposing: You are advocating that we write into the law a formula that you have not been able to attain in the past; that is, fixing rates on the same basis all over the country.

Mr. BRIDGES. I think you might say that is true nationally of the minimum wage. We have workers in New Orleans organized, in our union today, getting more than the amount advocated in the minimum-wage law; that is, a raise from 40 to 65 cents.

Senator ELLENDER. If that happens the next step will be to have the advisory committees maintain reasonable wage differentials between interrelated job classifications. It simply means, in my opinion, that these advisory committees will fix wages in the upper brackets and give the same increase or percentage of increase in pay as is provided in the pending bill.

Mr. BRIDGES. That is true.

Senator ELLENDER. And you think that such a method will result in a healthy situation?

Mr. BRIDGES. Well, I am applying myself to certain other aspects of the legislation. But talking about a healthy situation, what that means to me, Senator, is that it will prevent an employer, for whatever reasons he may choose, to take all classifications of labor, skilled and highly skilled, and say, "I am only going to pay you so much," and that is the minimum amount.

Senator ELLENDER. That is already fixed by unions.

Mr. BRIDGES. Only if unions are organized in those particular areas and only if unions are allowed to operate by law in those particular areas.

Senator ELLENDER. And where they are organized it is going to affect them also, because these committees can step in and fix hourly wages according to a formula of their own choosing.

Mr. BRIDGES. That might be true.

Senator ELLENDER. Do you think that is all right.

Mr. BRIDGES. I see nothing wrong in taking any formula which is permissible under collective bargaining and applying it to the situation.

Senator ELLENDER. They determine it, and in doing so we are drifting away from collective bargaining.

You are advocating a law putting all employers in a strait-jacket whether they are able to pay or not. We have not been able to find out up to the moment what effect the upping of wages from 40 to 65 cents and up to 75 cents is going to have on industry. We haven't any positive evidence in the record. Yet you and others are advocating that the Congress pass a law without in any manner studying the effect that such a law will have on other industries, industries that produce the materials from which everything you are wearing is made.

Mr. BRIDGES. You are wrong. Before I came here I checked and consulted with farmers.

Senator ELLENDER. Where?

Mr. BRIDGES. In California.

Senator ELLENDER. Have you checked it with farmers in the South, in the East, and in the North?

Mr. BRIDGES. No. I can only give you the experience that I have. I know that these farmers at least advocated an increase in wages so that they can sell their products.

Senator ELLENDER. Yes.

Mr. BRIDGES. Now, I presume that is good legitimate business, and there is no question about what this law means. It does in effect what you say. It says to all employers in the United States that for any type of labor at all they cannot pay less than 65 cents an hour, because that is what it takes a person to live on. I am all for such a law. It is not only a good law, but it is necessary for not only labor that has to have enough to live on in the United States today, but it is necessary for full employment and it is necessary if business is going to make a profit.

Senator ELLENDER. How are you going to protect the millions of pensioners in this country who are receiving a fixed amount? We have a lot of Confederate veterans in the South receiving from $30 to $60 per month, and we have a lot of soldier boys receiving $110 as a maximum, I believe. We have millions of school teachers who receive a pittance in wages per month. They are unable to have their salaries raised because they get theirs out of taxes. We have millions of clerks working throughout the country in all the retail stores and wholesale stores, all of whom are not protected under the pending bill. I want you to tell me what will become of their standard of living if you up industrial wages so that it increases their cost of living, as you know it will, if this bill goes through?

Mr. BRIDGES. I do not agree it will increase the cost of living. As for pensioners, I am for more liberal pensions for veterans as well as our senior citizens, and for teachers and other professional people of that nature.

Senator ELLENDER. Industry does not provide for them. They have got to get it by way of taxation.

Mr. BRIDGES. You mean the teachers have got to get it from taxation?

Senator ELLENDER. The teachers do.

Mr. BRIDGES. I think if it is presented to the American people, if we went to some of the people——

Senator ELLENDER (interposing). When you say "we," whom do you mean?

Mr. BRIDGES. The people in the trade-unions.

Senator ELLENDER. I see. In getting yours you hold a stick over the head of your employer or quit and——

Mr. BRIDGES. No; we do not do that, Senator. We simply go to the people with what we believe is a fair argument. Here are the school teachers. They are responsible for a great deal of the training and discipline of our children. Now, a teacher cannot do a good job if all day long he or she is worried about where the next meal is coming from. So, it is a simple thing to say to parents of children, "Don't you think teachers, after all the training and the responsibilities they have, should be paid enough to live on, even if they get paid out of your taxes?"

Senator ELLENDER. But when you go before a State legislature you know what they do.

Mr. BRIDGES. That is not the real reason. I find out lots of times they do not trust the people in the State legislatures. They figure they are taxing them for this, but they are using the taxes for something else. If they were sure the taxes they paid were going to be used for these things, I do not think there would be any trouble.

Senator ELLENDER. Is this your considered judgment?

Have you made studies of the subject? When I say "studies," I do not mean such as you made in California. I think somebody testified here, Senator Tunnell, that the State of California had the highest standard of living of any State in the Union. All employers pay wages and salaries much higher than those in other States.

Mr. BRIDGES. That is because it is well organized, Senator.

Senator ELLENDER. Do you think so?

Mr. BRIDGES. I know so. Our studies tell us that. We get in no argument. The employers and farmers agree with us.

Senator TUNNELL. Isn't this your position, Mr. Bridges, that 65 cents is the minimum on which a person can rear a family?

Mr. BRIDGES. Yes; that is really it.

Senator TUNNELL. That is the minimum?

Mr. BRIDGES. Yes, and that is an awful struggle, and the family will not be reared in the true American sense, I would say.

Senator TUNNELL. And in obtaining that 65 cents, it is your position that you prefer a statute to a strike?

Mr. BRIDGES. That is right. That is exactly what my testimony is.

Senator MORSE. Are you not willing to admit, Mr. Bridges, that in some sections of the country the employers are still too strongly organized for the unions?

Mr. BRIDGES. Absolutely, Senator Morse; in an economic and political sense.

Senator MORSE. As I understand your theory, where you find that you are not in an equal bargaining position with the employers with the result that a wage below the standard of health and decency is paid, then it is an obligation of the Government to come to the aid of those workers?

Mr. BRIDGES. We believe so, in the interest of the Nation as a whole. That is exactly it.

Senator TUNNELL. Are there other questions?

Mr. BRIDGES. Well, I would like to be able to develop the other parts of this bill.

Senator TUNNELL. All right.

Mr. BRIDGES. Particularly on this question of the purpose of the overtime rate in the bill.

The avowed purpose of the penalty rate of time and one-half was to make overtime prohibitive in cost and to provide additional employment opportunities by confining the work week by individuals to 40 hours. The act simply did not achieve its purpose. By and large, it remained profitable to employ individuals for more than 40 hours per week and so long as there is profit to be made out of overtime work, the overtime penalty rate will fail to achieve its only legislative purpose. This leaves strikes as the answer.

The legislative approach to this problem, the wage and hour legislation attempts to eliminate overtime by laying down a certain penalty rate for working overtime, such as time and a half. If that fails in its purpose it only leaves one answer to the workers, and that is what they cannot get by legislation they are going to get by fighting, by strikes, and not strikes for wages, but strikes for work at a minimum straight-time rate, and not overtime. There is the point, and what I am saying here is that I hope that this type of legislation will receive consideration, because I believe the Congress, if it takes a position that the purpose of this bill was to prohibit overtime and not to encourage it——

Senator TUNNELL (interposing). You are saying something which no witness has said exactly, and I am glad to hear you speak of it.

You are drawing a distinction between an hourly rate pay and a total pay.

Mr. BRIDGES. That is right, total pay that must be gotten by working overtime and living an abnormal life.

We did quite a little research work on it, and we find it goes in every direction. There is a big problem in the United States now. It is called juvenile delinquency. That is a simple term.

Senator TUNNELL. I have heard of it.

Mr. BRIDGES. If we got into what causes juvenile delinquency we would find the biggest factor is the absence of the parents from home in the daytime and nighttime hours, and therefore they are unable to provide the proper care and training of the children. We know that.

A bill or legislation that not only does very little to stop the working of overtime but actually encourages it, contributes to the delinquency of these children.

Here we are talking about legislation that tends to encourage and support juvenile delinquency. Overtime work is one of the greatest contributing factors, or the shift work, working day and night, one of the greatest contributing factors to juvenile delinquency. Therefore, we can actually link the growth in juvenile delinquency to the desire of industry of the United States to get the most out of its capital by working 24 hours a day and working overtime. That is where we trace it back to.

What we are really suggesting is the abolishing of all overtime work in American industry by law.

Senator TUNNELL. Does not the payment of overtime imply a strain on the individual?

Mr. BRIDGES. It does not only imply it but it actually causes it, Senator.

If a man is on a job where there is precision work requiring concentration, or where it is hard physical work, at the end of 10 hours work, which is 8 hours straight time and 2 hours overtime, he is not doing his best job.

Senator TUNNELL. What is the excuse for paying time and a half unless you are paying somebody to do something that he is able to do?

Mr. BRIDGES. It so happens that despite losses of efficiency because of working long hours, there is still tremendous profit for industry in working overtime. Not only paying the time-and-a-half rate, but industry can pay double time today and make tremendous profit out of working people overtime.

Senator TUNNELL. Do you mean that generally?

Mr. BRIDGES. I mean that generally.

All the industries that we have looked into, as well as the Federal Government, have already gone into this question, and we have certain statistics.

I will quote some of them here.

The modern manufacturer has a large capital investment in his enterprise. It makes no money for him while it lies idle. All of the force of the profit motive presses for more complete utilization of his plant and his capital equipment, and therefore for the employment of his working force longer hours. Unless the overtime penalty is high enough to eliminate profit from overtime work this pressure will prove irresistible and the purposes of the act will be defeated.

In other words, if you eliminate overtime, shorten the hours of work, you will get the American people, particularly the workers, to live in a more normal way, not working nighttime when they should be sleeping, or working on Sundays, or long hours.

In 1941 the Bureau of Labor Statistics published a study, and I refer to Overtime Pay in Relation to Costs and Profits, Monthly Labor Review, July 1944, pages 9–17, which bears directly on this point and which should weigh heabily with you in your present deliberations. The study set out to learn what effect overtime pay had on profits. It used the official figures, of the Federal Trade Commission for 1939, a prewar year. It covered 260 corporations, with sales of over $11,000,000,000. It assumed that labor would be 20 percent less productive during overtime hours.

The conclusions are striking. Even with a 20-percent loss of efficiency, the earnings of these corporations would increase by more than $75,000,000 in this 1 year if hours were increased from 40 to 48 will full overtime at time and one-half. The report concludes:

> * * * the payment of overtime rates under the Fair Labor Standards Act is more than counterbalanced by the increased utilization of plant facilities and the absorption of fixed overhead expenses in a larger volume of production.

The opportunity to net a cool 75 million by employing workers during overtime at time-and-a-half rates is no great deterrent. It is a money incentive to work overtime, to spread unemployment, to lay the basis for future wars.

We must return to the original purpose of the overtime provisions of the Fair Labor Standards Act—the prevention of overtime—and ask ourselves the question: "Has it worked?" The answer clearly is that it has not worked and will not work until the penalties are made severe enough so that there are no longer any incentives for overtime work. I urge this committee to report a bill which will increase the overtime penalty to a minimum of double time.

Frankly, my union would really like to see your committee report a bill that would totally abolish overtime work throughout all American industry, making allowances, of course, for certain operations in industry that must continue day, night, and Sundays. My union, in one industry where large numbers of our members are employed—and that is the longshore industry—is now asking our employers to do by contract what has not been done by law—abolish overtime.

There is a second lesson to be drawn from the experience of the longshoremen with the 6-hour day supported only by a time-and-one-half penalty. As I have already said, the 6-hour day broke down and resulted in an 8-hour day with 9 hours' pay. Our own longshoremen contributed to that break-down. The wage rate was low, the take-home was miserably inadequate. The men themselves began to demand an opportunity to work overtime to increase their earnings. Although the remedy lay in an increase in the wage rate, the same pressure could be satisfied by increasing the overtime hours—and this is precisely how it was done.

In other words, here we had an example of a union in effect being forced to use its economic and political strength fighting for the right to work overtime, and working more overtime; or, in another sense, fighting against a decent and normal way of life for its members.

Senator MORSE. Mr. Chairman, although I am not a member of the committee, and I have to impose upon the committee, I think there is a corollary to this problem, and I would like to hear from Mr. Bridges on that.

Mr. Bridges, you were talking about eliminating overtime. You cannot ignore, it seems to me, the need in this country for maximum production. As I see it, we are not going to solve our debt problem, and we are not even going to solve our employment problem, unless we adopt policies that are going to produce the maximum of production, because the only way we can cope with the economic handicaps

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INTENTIONAL SECOND EXPOSURE

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In other words, if you eliminate overtime, shorten the hours of work, you will get the American people, particularly the workers, to live in a more normal way, not working nighttime when they should be sleeping, or working on Sundays, or long hours.

In 1941 the Bureau of Labor Statistics published a study, and I refer to Overtime Pay in Relation to Costs and Profits, Monthly Labor Review, July 1944, pages 9–17, which bears directly on this point and which should weigh heabily with you in your present deliberations. The study set out to learn what effect overtime pay had on profits. It used the official figures, of the Federal Trade Commission for 1939, a prewar year. It covered 260 corporations, with sales of over $11,000,000,000. It assumed that labor would be 20 percent less productive during overtime hours.

The conclusions are striking. Even with a 20-percent loss of efficiency, the earnings of these corporations would increase by more than $75,000,000 in this 1 year if hours were increased from 40 to 48 will full overtime at time and one-half. The report concludes:

> * * * the payment of overtime rates under the Fair Labor Standards Act is more than counterbalanced by the increased utilization of plant facilities and the absorption of fixed overhead expenses in a larger volume of production.

The opportunity to net a cool 75 million by employing workers during overtime at time-and-a-half rates is no great deterrent. It is a money incentive to work overtime, to spread unemployment, to lay the basis for future wars.

We must return to the original purpose of the overtime provisions of the Fair Labor Standards Act—the prevention of overtime—and ask ourselves the question: "Has it worked?" The answer clearly is that it has not worked and will not work until the penalties are made severe enough so that there are no longer any incentives for overtime work. I urge this committee to report a bill which will increase the overtime penalty to a minimum of double time.

Frankly, my union would really like to see your committee report a bill that would totally abolish overtime work throughout all American industry, making allowances, of course, for certain operations in industry that must continue day, night, and Sundays. My union, in one industry where large numbers of our members are employed—and that is the longshore industry—is now asking our employers to do by contract what has not been done by law—abolish overtime.

There is a second lesson to be drawn from the experience of the longshoremen with the 6-hour day supported only by a time-and-one-half penalty. As I have already said, the 6-hour day broke down and resulted in an 8-hour day with 9 hours' pay. Our own longshoremen contributed to that break-down. The wage rate was low, the take-home was miserably inadequate. The men themselves began to demand an opportunity to work overtime to increase their earnings. Although the remedy lay in an increase in the wage rate, the same pressure could be satisfied by increasing the overtime hours—and this is precisely how it was done.

In other words, here we had an example of a union in effect being forced to use its economic and political strength fighting for the right to work overtime, and working more overtime; or, in another sense, fighting against a decent and normal way of life for its members.

Senator MORSE. Mr. Chairman, although I am not a member of the committee, and I have to impose upon the committee, I think there is a corollary to this problem, and I would like to hear from Mr. Bridges on that.

Mr. Bridges, you were talking about elininating overtime. You cannot ignore, it seems to me, the need in this country for maximum production. As I see it, we are not going to solve our debt problem, and we are not even going to solve our employment problem, unless we adopt policies that are going to produce the maximum of production, because the only way we can cope with the economic handicaps

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under which this Government is laboring today is by way of taxation, which means, of course, we are going to have to be willing to impose upon the American people the necessary taxes to protect the value of the worker's dollar, as well as everybody else's dollar.

Now if you are going to eliminate overtime and thereby reduce production, what do you have to say about increasing production by increasing the straight hours of work?

I think you know me well enough to know—we have had some sad experience from that standpoint with a decision or two—that I have no toleration for slow-downs, nor do I have any toleration for any union program that does not produce a fair day's work for a fair day's pay, because labor's interest is to be found in maximum production.

Let us assume this interesting hypothetical situation:

You eliminate overtime; what is going to happen to the production of our country so that out of that production we can meet the obligations of the Government?

Mr. BRIDGES. I think production not only must be maintained at present levels but it can be increased; and it can be increased even though the hours of work are reduced, by using more workers, and it can also be increased by a greater use of technological devices; there is no question about that.

In other words, instead of having groups of people work long hours, which means overtime, we can break it down.

I can give you a concrete example of what we are actually advocating for a group of employees on the Pacific coast water front.

Our present workweek is a 36-hour straight workweek. There is no way they can work our men more than 36 hours without paying them overtime at time and a half. We have offered that group of employers a 60-hour straight-time week, with an increase in the basic wage rate, but breaking the basic week down to two shifts of 30 hours, so no man would work more than 30 hours.

We already know, from what production figures we have gone into, that we will not only maintain the present rate of production without the introduction of labor-saving devices, but we will increase the present rate of production.

With a man working 6 hours a day the shifts are divided into two, a morning shift and an afternoon shift. We take the full spread of the daylight hours; one group will work the morning shift and will be off in the afternoon and will be home, we think, doing something useful; and the other group is off in the mornings and working in the afternoons; and therefore when a man knows he has only got to work 6 hours, he does not have to conserve his energy, as they do now.

When a man knows that he has to work a 20-hour shift—and some of them work 20 hours—he hits a certain pace, because he has got to save a certain amount of energy to last the 20 hours at hard work.

Well, they can turn loose here on a 6-hour shift, and they do.

We know, from what studies we have already made, that we can reduce the working hours at this rate and keep in the industry all the extra people that were in during the war; we will have enough room for them and for some 10,000,000 men in the armed forces that still have to be returned, and not only have the same amount of production but increase production and operate the industry so it is a more

profitable investment and a profitable enterprise. Our research studies show us that already.

The same general application can be made to all industry, not overlooking the fact, of course, that certain industries have to operate 24 hours a day.

Senator TUNNELL. If you eliminate all overtime, would you not remove that incentive to employ more people?

Mr. BRIDGES. No.

Senator TUNNELL. You would not?

Mr. BRIDGES. No; you would just get more work done in a shorter space of time with more people; you would get more production.

Certainly our idea is not to decrease production; it is to increase production.

It is not only to increase production, but it is to increase it by giving more people work, and therefore you will have more people able to buy what is produced; and that is not the situation today.

If we do not look ahead to see that the purchasing power of the United States is maintained, we will not have any production.

Senator TUNNELL. Let us see what you have here in the remainder of this paper, Mr. Bridges.

Mr. BRIDGES. The rest of it comes to really what Senator Morse was just asking me.

The longshore situation was not unique. In thousands of industrial establishments over the Nation wages are depressed by the use of the false and socially disruptive technique of overtime employment. The 48-, 54-, and 60-hour weeks have become the device by which low wages are maintained.

Particularly during this reconversion period is overtime being used by the employers of the Nation as a bargaining point. I know of many unions that have asked their employers for an increase in the rate of pay. The counterproposal was an offer to maintain the 48-hour week. A branch of my union, warehousemen, in San Jose, Calif., served very modest wage demands on their employers. They got back an offer to guarantee the warehousemen 48 hours' work each week. Hundreds of contracts today provide for guaranties of overtime work.

We in the trade-unions are not without fault. In the past we have bargained for overtime because our straight-time wages will not support us. But today we owe a very great responsibility to those who have fought for us on the battlefields and in the arsenals at home. We will not fight for overtime while they fight for jobs. We owe a responsibility to wives and children. We will not fight for more time away from home. This committee can help us, and those to whom we both owe the deepest obligation, by eliminating the profits from overtime and thereby take a big step toward eliminating overtime itself.

It follows from what I have said that there is the closest kind of relationship between wages and hours of work. If the wage is low, the demand will be for longer hours. The bill which the committee is now considering proposes a minimum wage of 75 cents to be realized 2 years after the passage of the bill. Presumably the bill intends that under all normal circumstances the workweek shall be confined to 40 hours. It proposes, therefore, a statutory guaranty of $30 per week.

I shall not add to the already conclusive testimony you have already had on the inadequacy of such a wage. I do want to spend a very few minutes on an inadequacy of theory as well as amount. The determination of minimum wages has been related to minimum family budgets and the cost of the bare essentials of food, clothing, and shelter. So it is argued in support of this bill that what could be purchased for 40 cents an hour in 1938 cannot be purchased for less than 60 cents an hour today. These are relevant and enormously important considerations. And yet, they leave out much that is important.

A dangerous tendency has grown up to base wage claims upon the cost of living. When the implications of this position are thoroughly understood by labor, it will be rejected and discredited. The cost of living is a better measure of the wages of slave labor than of free labor. Labor is not now content with its share of the national product and will not long continue to rest its case on fluctuations in the cost of living. Nor can the economy of the Nation as a whole afford such a wage theory. The major industrial event of our time is the enormous technological advance made by modern industry. To reflect this great increase in productivity, wage payments must move gradually but firmly from an hourly basis to a production basis. In no other way will the American worker be afforded a reasonable opportunity to share in the advances made. In no other way can we hope to keep closing the gap between America's capacity to produce and America's capacity to consume.

I want to cite just one example that will highlight this, and the reason for it is that we have run into it during the war.

In the Pacific theater of the war, one of the most important things to be done was to get the supplies shipped and keep them going. It was much harder than in the European theater, because most of the transports, supply ships, ammunition ships, had to call at many different points in the Pacific, and the material had to be stored in the ship in a certain way. It was like storing the shelves of a grocery store, with so much of each part of the material in a certain place.

Well, we tried to work, and did work, with the Government and private operators operating these various ships to get the supplies away, to increase productivity by making more use of the men we had at hand, because there was a manpower shortage, as well as trying to utilize more labor-saving machinery.

But we found one thing stopped us, particularly insofar as the men were concerned, and that was there was no incentive, outside of the patriotic incentive, which was mostly what kept them going to do their best.

To highlight the situation, I will give you an example:

One port was the most efficient port that was sending materials to the Pacific. Its main job was loading ships to supply the Pacific forces in midocean, Admiral Nimitz' and Admiral Halsey's forces. It was the most efficient port on the coast, where the average Liberty ship with 10,000 tons of cargo was turned around in 3 to 3½ days.

The basic wage was $1.10 an hour. The turn-around of the ship is the most important phase of the ship's operation, and in this case it was 3½ days to unload the ship and fill her with a full load and get her away to the fleet.

In San Francisco the average turn-around was six or six and a half days. The men were still getting the same basic rates, $1.10 an hour. There were varying differences between these ports.

In the Northwest it was between five and five and a half days, but between the slowest port, which happened to be San Francisco, and the fastest port, one port turned a Liberty ship around in three to three and a half days and the other in six to six and a half days, yet both groups of men were making the same amount of money.

Senator TUNNELL. Per hour?

Mr. BRIDGES. Per hour.

Senator ELLENDER. With the same number of men employed per ship?

Mr. BRIDGES. The comparison is identical. The same type of cargo, the same type of ships, and everything else the same.

Senator ELLENDER. With the same loading facilities?

Mr. BRIDGES. No; with better loading facilities in the other port and more machinery, which added, of course, greatly to the productivity; but the fact remains that the men in the fastest port said: "What do we get out of it? Despite the fact we turn the ship around in almost half the time that the other ports do, because we use less men for operation although we use machinery, we have the lowest number of men per operation; why don't we get something out of it? We should be paid for some of the increased productivity that has come about because of our skill and ingenuity on the job."

The reason there was no relationship between wages on the job was because the wages in the port doing the good job were fixed by the price of pork chops in New York or down in Florida or beans in Seattle, or some other place, something totally unrelated to the job they were doing, to the skills and training they put into their work.

What, in effect, I am saying here is that the minimum wage set in this bill of 65 cents an hour is a wage that is tied to the cost of living, by saying that anybody who works must have this wage because that is what it costs them to live.

But over and above that minimum wage we believe wages should slide over into the place where they are judged by productivity, productivity by a group of workers, not piece work, I want to make that clear, but productivity of the whole, and that each individual worker's wages are measured as a part of the over-all productivity of the group, taking into consideration his training, knowledge, and skills—in degrees of skills as between workers, over and above the minimum wage.

Therefore, I wanted to make this clear to the committee.

I do not ask the committee to adopt this theory as the basis for its minimum-wage recommendations. But I do ask that the bill be extended to provide that the Department of Labor shall immediately institute studies and maintain indexes of the productivity of labor in every significant American industry. When this is done we will have at least a basis in fact for reflecting in the wage scale of the American worker the great increase in industrial efficiency. Until we do, we shall have a wage theory without any significant relationship to the most significant economic fact of our time, the fact that we can have a world of plenty and of peace for all, pride in our work and determination to make every minute count on the job.

I have already discussed this with the Secretary of Labor. He agrees that such a study would be beneficial and should be made.

I want to make this last point: For the reasons I have stated, I ask this committee to recommend in this bill that the Department of Labor make a study of productivity in industry and the relationship of the worker's productivity with their wage scales, so that information will be available in the future and will be able to help out in discussions of this type.

Senator TUNNELL. Do you object to the wage being based on the cost of living if the fellow who is working is getting less than the cost of living—that is a pretty important argument, isn't it?

Mr. BRIDGES. Certainly.

The cost of living ties into the wage rate up to the minimum wage rate that we are talking about here.

Senator TUNNELL. That is right.

Mr. BRIDGES. Regardless of what he does, regardless of whether he goes on a job and is able to produce anything.

Senator TUNNELL. But if he gets more than the cost of living, then of course he would be above the standard?

Mr. BRIDGES. We say over the minimum the wages should be based on productivity, not carrying the cost-of-living rule any further.

Senator MORSE. Mr. Chairman, I think your point is very important.

It has been my experience to hear him argue for some wage theory based on something other than the cost-of-living theory. He certainly is entitled to change his wage theory if he wants to.

Here is the question I would like to direct his attention to. I am thinking about the function of the Government in our wage policies and the function of collective bargaining in our wage policies, and I would like to have him address himself to this question:

What is wrong with the theory of having Government take the position that it does have a social responsibility to its people by way of legislation to protect them against an economy that works an injustice in that the product of labor may result in wages less than the wage of health and decency, but over and above providing them with a wage that is adequate for health and decency, then the free flow of collective bargaining should take place between labor and management to the extent that wages may be increased above a wage of health and decency?

Mr. BRIDGES. I am all for that, and I think Government can lay out the rules of the game. That is one of the suggestions I made.

If there is a definite move of the Government toward the elimination of overtime for good, sufficient, and constructive reasons, I think that will make it difficult for employers in collective bargaining to reduce wages by arguing in terms of over-all or take-home wages.

They say, "It is true you are only getting 50 cents an hour, or 60 cents an hour, but at the end of the week after you work 50 hours at the straight time and overtime your average hourly rate is so much, and therefore you should get no wage increase."

That is what they are saying now.

If the Government lays down the rules of the game along the lines suggested, abolishing all overtime, then I am all for the free play of collective bargaining.

Senator TUNNELL. All right; thank you, Mr. Bridges.

I think you have given us a very interesting talk.

Mr. BRIDGES. Thank you.

(The brief submitted by Mr. Bridges appears in the appendix.)

Senator TUNNELL. The next witness I have on the list here is the Right Reverend Monsignor O'Grady.

TESTIMONY OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Senator TUNNELL. Just identify yourself for the record, please.

Monsignor O'GRADY. My name is Rt. Rev. John O'Grady.

I am secretary of the National Conference of Catholic Charities.

We made an arrangement yesterday with a representative of the committee that two people would appear on behalf of both the National Catholic Rural Life Conference and the Home Missions Council of America.

Monsignor Ligutti, from Des Moines, Iowa, will represent the National Catholic Rural Life Conference, and Mrs. Shotwell, the western representative of the Home Missions Council of North America, will appear on behalf of the various Protestant denominations in regard to this proposed extension of the Fair Labor Standards Act.

That is the agreement that these different organizations have reached among themselves, that these two people would speak for them.

Senator TUNNELL. You have finished your statement?

Monsignor O'GRADY. That is right.

Senator TUNNELL. Mrs. Shotwell.

TESTIMONY OF MRS. F. E. SHOTWELL, WESTERN AREA SUPERVISOR, HOME MISSIONS COUNCIL OF NORTH AMERICA

Mrs. SHOTWELL. I am representing the Home Missions Council of North America, which is an agency representing 23 national Protestant denominations.

We have been concerned, over a period of years, with work among agricultural migrants. The 25 years of experience which we have had in the field across the country has led us to believe that there are certain basic fundamental principles which need to be thought of and written into a law of this kind.

We have not only been concerned with the general welfare, the social, economic, and religious problems of agricultural migrants as such, but we have provided a field program, a Christian social service field program for thousands of agricultural migrants in 25 States in the Union.

I represent the total national migrant committee, although my field of work is in the 11 Western States.

We believe in and favor certain basic and fundamental principles, such as fair and just wages to maintain decent standards of living for agricultural migrants, including (1) continuity of employment, (2) the right to collective bargaining, and (3) the opportunity for a well-rounded development of individual personalities, as well as community life for the total group.

It has been our finding that agricultural migrants have not had the safeguards of employment which have been provided for industrial workers.

We believe a beginning has been made with the importation of the Mexican, Jamaican, and Bahamian workers through the contract arrangement of the governments involved, and it would be our hope

that our native agricultural migrants might also have extended to them these guaranties as a minimum requirement.

Senator ELLENDER. In other words, you want to include agricultural labor. That is what is would amount to, would it not?

Mrs. SHOTWELL. We would like to feel that the native migrants within this country were afforded the same guaranties that the imported Mexican, Bahamian, and Jamaican nationals have, which includes guaranties on housing, wages, and transportation.

Senator ELLENDER. The way by which that could be done would be to amend the bill we are considering by striking from it farm labor. Would it not lead to that?

Mrs. SHOTWELL. That agricultural migrants are farm labor?

Senator ELLENDER. Yes.

Mrs. SHOTWELL. But also the imported laborers?

Senator ELLENDER. Yes.

Mrs. SHOTWELL. We would like to report that there have been some improvements along the way in the basic attitude of folks toward these migrant laborers. We have some faulty national mentality against migrants. We call them okies or fruit tramps, or the Grapes of Wrath folks from California.

Secondly, we feel they should have better working and living conditions.

I am from that highly industrialized section in California and the Pacific Northwest, where, in California, we have absentee ownership in contrast to the Pacific Northwest with its family-size farms to some degree, and the thing which we wish to appeal to you on is, as a Protestant church agency representing 23 major denominations, we are concerned that living standards be raised for agricultural migrants.

Speaking on the bill, I would raise the question relative to child labor. It appears to us, in lines 8 and 9, page 8, and lines 17 and 19, page 12, that there is an exemption on child labor.

In other words, that child labor at adult wages is asked for, and in lines 18 to 20, on page 10, it states there shall not be oppressive child labor.

I think we need a little more clear-cut understanding of what oppressive child labor is.

Then the second question I think would be in lines 21 and 22, page 11.

What do we mean by "employee employed in agriculture"? It seems to us it gives no protection to agricultural migrants, but rather exempts them.

In lines 17 to 19, page 12, does that statement imply that children who work during the summer can work 20 hours a day at any pay?

Senator TUNNELL. Would not that be oppressive?

Mrs. SHOTWELL. We would say so.

Senator TUNNELL. There is a definition of "oppressive" in the original law.

Of course, this is an amendment to an existing law, you understand.

Senator ELLENDER. Here it is on page 2 of the act, Mr. Chairman. Public, No. 718, under section 3 (1):

> Oppressive child labor means a condition of employment under which, (1) any employee under the age of 16 years is employed by an employer other than a parent or a person standing in place of a parent employing his own child or a child in his custody under the age of 16 years in occupations other than manufacturing or mining; or (2) any employee between the age of 16 and 18 years who is employed by an employer in any occupation which the Chief of the Children's Bureau in the Department of Labor shall find and by order declare to be particularly hazardous for the employment of children between such ages, or detrimental to their health or well-being.

Mrs. SHOTWELL. May I ask what your interpretation is of section (c), between lines 17 and 21 on page 12, which states:

> The provisions of section 12 relating to child labor shall not apply with respect to any employee employed in agriculture while not legally required to attend school, or to any child employed as an actor in motion pictures or theatrical productions.

Senator TUNNELL. I did not understand your question.

Where are you reading from?

Mrs. SHOTWELL. Lines 17 to 20, on page 12.

Senator TUNNELL. If they are too young or not legally required to attend school, it would not apply.

Mrs. SHOTWELL. It does not apply, then, during the summer when they are on their vacations?

Senator TUNNELL. Not when they are not legally compelled to attend school.

Mrs. SHOTWELL. Then our question was whether or not that covered the situation or whether or not it actually allowed child labor?

Senator TUNNELL. Well, it would allow child labor to a certain extent, there is no doubt about that.

A child on the farm would be allowed to work when he was not compelled to attend school.

Mrs. SHOTWELL. But there is considerable difference between a child brought up on the farm, as I happen to have been, working on a farm, and a child of an agricultural migrant family who works in the crops.

We would like to register our objection, sir, to the possibility that it would actually promote child labor as it is written.

Senator TUNNELL. Yes; we will have to keep that in mind. I do not think it does.

Mrs. SHOTWELL. That is all. Thank you.

Senator TUNNELL. Do you have any questions, Senator?

Senator ELLENDER. No, sir.

TESTIMONY OF RT. REV. MSGR. L. G. LIGUTTI, EXECUTIVE SECRETARY, NATIONAL CATHOLIC RURAL LIFE CONFERENCE

Monsignor LIGUTTI. My name is Msgr. L. G. Ligutti. I am executive secretary of the National Catholic Rural Life Conference.

Our headquarters are located in Des Moines, and I am speaking in behalf of our conference.

It is an organization which seeks to foster economic, social, and spiritual welfare of American farmers, regardless of their color, creed, or their economic condition.

I want to present for the consideration of the gentlemen of the committee, and possibly for the record, a statement which was issued lately by a group of Catholics, Protestants, and Jews interested in rural life.

These ladies and gentlemen who signed the statement are all people belonging to religious organizations and to organizations that have for their specific end the welfare of rural people, and from these statements I want to merely point out to you gentlemen certain fundamental

principles and apply them, if at all possible, or have you consider their application to the law at stake at the present time.

One statement, found on the first page of this general statement, at the bottom of the first page, is headed: "Land use and human welfare," and I am quoting from the statement:

> Efficiency in land use is not to be judged merely by material production but by a balanced consideration of the spiritual, social, and material values that redound therefrom to person, family, and society.

If I may briefly explain that, it is not merely the amount of bushels we produce, or the kind of oranges or tomatoes or corn we produce, or healthy and sound hogs we produce to produce good ham or sausage, but the great, big important thing in agricultural production isthe development of the human being, of his family, and of society, not merely material production.

Hence we add another line, and that is:

> The land is not to be a source of benefit to a favored few and a means of servile labor to the many.

We consider that the land has been created by God for the good of all human beings, and whoever works, whether on the land or other natural resources, not only has the right to work and use the natural resources, but he also has the right to think that by the work and through the work his own personality will be developed and heightened to the highest possible achievement within the grasp of that human being, for his own good, for the good of his family, and for the good of society.

Now I want to make a statement also to this effect, that when we are considering the good of farmers we should consider the good of all farmers.

When I say "All," that means all the farm laborers. I do not mean only the man who owns 50,000, or 10,000 acres, or even the family-size farm, I mean if we are to work for the interest of farmers, for the good of the farming population of the United States, we have got to think of their boys and girls who work in a packing warehouse, or picking pears, or sorting this and that in the factories or in the field.

We have got to think of every human being employed there, because they are all human beings.

It has been too often the practice in the past to think, in thinking of the welfare of the farmer, merely of the man who owns the land, or the man who owns a small parcel of land, but it is very seldom that we think of the welfare of the man, woman, and child working on the land.

It is our contention that they are farmers, too.

I might say this, that is the case all over the world. Just because somebody does not own the land, just because he is a worker, his interest is not to be considered.

Senator ELLENDER. Father, in that connection, would you object to amending this bill to carry out your purpose?

Monsignor LIGUTTI. I will answer that by reading from the statement of declared principles on declared policies.

> We urge that wages and housing for the laborer on the small farms be decent and just.
>
> Extend social-security provisions, particularly health, old age, and survivors' insurance to farm people and other rural dwellers.

Senator ELLENDER. I think that will be carried out in some other bill, not in this bill.

This is supposed to be a minimum wage bill.

I understand there are several bills before Congress now to include farm labor in the benefits you referred to.

Monsignor LIGUTTI. Then, of course, we have some more labor which we consider as farm labor but which is really industrial labor, that is, in the sorting and packing plants, and so forth. That comes under the specifications of this bill, does it not?

Senator ELLENDER. Yes.

I think we excepted certain workers.

What would you suggest the committee do in respect to the bill that excludes farm labor from the wage and hour law?

Monsignor LIGUTTI. We think the farm laborer or any other laborer connected with the processing, sorting, and similar work should be included to get the benefit of higher wages or better housing conditions, or whatever benefit there might be—social security, old age and survivors' benefits, and so forth, just the same as any other labor.

Senator ELLENDER. How about the laborer who works behind the plow or who helps till the soil?

Monsignor LIGUTTI. Absolutely, unqualifiedly.

The fact is the labor behind the plow is more important than labor anywhere else in the world, and why should we put him out?

Senator ELLENDER. The bill excludes him.

You have not gone into the problem of what it would cost to produce raw cotton, if farmers paid a minimum wage to all labor of 75 cents an hour?

Monsignor LIGUTTI. Yes, I have, indeed.

I do not think any human being ought to be made to suffer for the sake of giving comfort to somebody else elsewhere.

Senator ELLENDER. I agree with you entirely.

Monsignor LIGUTTI. That is a fundamental principle.

Senator ELLENDER. That is a fundamental principle, and that is why I believe whenever you take care of one particular group, as this bill seeks to do, you disturb other groups.

It is my considered judgment that if we should pass the bill as written it is bound to increase the cost of living, there is no question about that.

I am thinking of the millions of school teachers who have a fixed salary and who are not protected here.

I am thinking of the millions of pensioners who have a fixed income, and who are not covered by the bill.

I am thinking of the millions on top of millions of people engaged all over the country in our distribution system—in the stores, the retail stores, and in the wholesale establishments—that will be affected because of a higher cost of living but who are not protected under the pending bill.

Monsignor LIGUTTI. Senator, I agree positively with you, that it ought to cover eveything, and it should cover farm labor, and it should cover the nearby processor.

Senator ELLENDER. In other words, you would want to lift them all up at the same time.

That is what you mean, isn't it?

Monsignor LIGUTTI. I would put them in the place where God intended them to be.

principles and apply them, if at all possible, or have you consider their application to the law at stake at the present time.

One statement, found on the first page of this general statement, at the bottom of the first page, is headed: "Land use and human welfare," and I am quoting from the statement:

> Efficiency in land use is not to be judged merely by material production but by a balanced consideration of the spiritual, social, and material values that redound therefrom to person, family, and society.

If I may briefly explain that, it is not merely the amount of bushels we produce, or the kind of oranges or tomatoes or corn we produce, or healthy and sound hogs we produce to produce good ham or sausage, but the great, big important thing in agricultural production isthe development of the human being, of his family, and of society, not merely material production.

Hence we add another line, and that is:

> The land is not to be a source of benefit to a favored few and a means of servile labor to the many.

We consider that the land has been created by God for the good of all human beings, and whoever works, whether on the land or other natural resources, not only has the right to work and use the natural resources, but he also has the right to think that by the work and through the work his own personality will be developed and heightened to the highest possible achievement within the grasp of that human being, for his own good, for the good of his family, and for the good of society.

Now I want to make a statement also to this effect, that when we are considering the good of farmers we should consider the good of all farmers.

When I say "All," that means all the farm laborers. I do not mean only the man who owns 50,000, or 10,000 acres, or even the family-size farm, I mean if we are to work for the interest of farmers, for the good of the farming population of the United States, we have got to think of their boys and girls who work in a packing warehouse, or picking pears, or sorting this and that in the factories or in the field.

We have got to think of every human being employed there, because they are all human beings.

It has been too often the practice in the past to think, in thinking of the welfare of the farmer, merely of the man who owns the land, or the man who owns a small parcel of land, but it is very seldom that we think of the welfare of the man, woman, and child working on the land.

It is our contention that they are farmers, too.

I might say this, that is the case all over the world. Just because somebody does not own the land, just because he is a worker, his interest is not to be considered.

Senator ELLENDER. Father, in that connection, would you object to amending this bill to carry out your purpose?

Monsignor LIGUTTI. I will answer that by reading from the statement of declared principles on declared policies.

> We urge that wages and housing for the laborer on the small farms be decent and just.
>
> Extend social-security provisions, particularly health, old age, and survivors' insurance to farm people and other rural dwellers.

Senator ELLENDER. I think that will be carried out in some other bill, not in this bill.

This is supposed to be a minimum wage bill.

I understand there are several bills before Congress now to include farm labor in the benefits you referred to.

Monsignor LIGUTTI. Then, of course, we have some more labor which we consider as farm labor but which is really industrial labor, that is, in the sorting and packing plants, and so forth. That comes under the specifications of this bill, does it not?

Senator ELLENDER. Yes.

I think we excepted certain workers.

What would you suggest the committee do in respect to the bill that excludes farm labor from the wage and hour law?

Monsignor LIGUTTI. We think the farm laborer or any other laborer connected with the processing, sorting, and similar work should be included to get the benefit of higher wages or better housing conditions, or whatever benefit there might be—social security, old age and survivors' benefits, and so forth, just the same as any other labor.

Senator ELLENDER. How about the laborer who works behind the plow or who helps till the soil?

Monsignor LIGUTTI. Absolutely, unqualifiedly.

The fact is the labor behind the plow is more important than labor anywhere else in the world, and why should we put him out?

Senator ELLENDER. The bill excludes him.

You have not gone into the problem of what it would cost to produce raw cotton, if farmers paid a minimum wage to all labor of 75 cents an hour?

Monsignor LIGUTTI. Yes, I have, indeed.

I do not think any human being ought to be made to suffer for the sake of giving comfort to somebody else elsewhere.

Senator ELLENDER. I agree with you entirely.

Monsignor LIGUTTI. That is a fundamental principle.

Senator ELLENDER. That is a fundamental principle, and that is why I believe whenever you take care of one particular group, as this bill seeks to do, you disturb other groups.

It is my considered judgment that if we should pass the bill as written it is bound to increase the cost of living, there is no question about that.

I am thinking of the millions of school teachers who have a fixed salary and who are not protected here.

I am thinking of the millions of pensioners who have a fixed income, and who are not covered by the bill.

I am thinking of the millions on top of millions of people engaged all over the country in our distribution system—in the stores, the retail stores, and in the wholesale establishments—that will be affected because of a higher cost of living but who are not protected under the pending bill.

Monsignor LIGUTTI. Senator, I agree positively with you, that it ought to cover eveything, and it should cover farm labor, and it should cover the nearby processor.

Senator ELLENDER. In other words, you would want to lift them all up at the same time.

That is what you mean, isn't it?

Monsignor LIGUTTI. I would put them in the place where God intended them to be.

In other words, I would not say some people ought to be kept down, and some people ought to be lifted up just because they happened to have pushed their way up in the world.

Senator TUNNELL. Let us put it the other way. Do you think they should be lifted up?

Monsignor LIGUTTI. I think justice to human beings demands that the proper standard of living should be possible for every human being who has been created by Almighty God.

Senator TUNNELL. Then you are not arguing against the bill, you are simply arguing for an amendment?

Monsignor LIGUTTI. Yes.

I am arguing in favor of the specific group which has always been left out under all circumstances. That is the thing that we have always argued for.

Senator TUNNELL. Yes.

Monsignor LIGUTTI. Particularly in the large scale industrialized farming. They are factories and yet they are left out. They are left out here and they are left out there, in the question of old-age benefits, the question of social security, the question of this, that, and the other thing, the farm worker is left out everywhere at all times.

Senator ELLENDER. What about your small one-horse farmer in Georgia or Louisiana? You have them by the hundreds. I know, because I have lived among them, and I know their problem.

Monsignor LIGUTTI. Yes.

Senator ELLENDER. In order to afford them the same rate of pay per hour as you are advocating for industrial labor here, why, they would have to probably sell their cotton for $1.25 a pound.

Do you think our economy could stand such a high price for cotton?

Monsignor LIGUTTI. It does not make any difference what our economy can stand. It is a question of what those human beings have had to stand in the huts and in shacks, and in the swamps of Louisiana and Mississippi, in the Delta.

I do not think in any part of the world any individual ought to benefit by the suffering of somebody else.

Senator TUNNELL. We have been given to believe that people live cheaper in those swamps. Is there anything to that?

Monsignor LIGUTTI. You can try it sometime, Senator, and see how it feels.

Senator ELLENDER. Of course you know, Father, they do not live in swamps.

They have a trade in swamps, like trapping, but they live on high land.

Monsignor LIGUTTI. I went through all the low places in Louisiana just 2 weeks ago, when it was raining, Senator.

Senator ELLENDER. Yes.

Monsignor LIGUTTI. And I suffered from the heat there as much as anyone could suffer.

Senator ELLENDER. I see.

Monsignor LIGUTTI. We are making an appeal for justice all the way around.

Senator ELLENDER. I am in full agreement with you.

Monsignor LIGUTTI. I am sure you would be, because that is the way they think in Louisiana, Senator.

Senator ELLENDER. I know that.

I would like to see that, but I have expressed some opposition to this bill because it takes care of one group at the expense of the others.

Monsignor LIGUTTI. Would you be willing then to put the extra groups in and then go along with it?

Senator ELLENDER. If there were a way to raise these various groups, school teachers, pensioners, and everybody else, I would go along with you, but I know it is not practical, I know we cannot do it.

Monsignor LIGUTTI. Now, now, now, Senator, any human problem can always be solved by human beings.

Senator ELLENDER. People have tried it for over 2,000 years and they have not succeded so far.

Monsignor LIGUTTI. We are getting quite a ways ahead compared to 2,000 years ago, and we should try to continue on rather than try to postpone and postpone.

I do think, first of all, we ought to admit the principle. That is primary.

Senator ELLENDER. Yes.

Monsignor LIGUTTI. Then the second thing is we ought to keep on going ahead even a little at a time.

I am perfectly sure you cannot change the world overnight, or in a minute, but we have to go in the right direction.

I am making the plea for the inclusion of agricultural laborers, for better living conditions, for a decent standard of living, better housing, better health facilities, and so forth.

You know about the health condition in the Lafayette Parish in Louisiana. I do not think I should buy a suit of clothes and pay less money at the expense of the people in the Lafayette Parish.

Senator ELLENDER. What would you do?

Monsignor LIGUTTI. I would sooner wear a fig leaf.

Senator ELLENDER. I mean, how would you raise them up?

Monsignor LIGUTTI. I say we have taken it for granted that they have got to work for so little.

Senator ELLENDER. How would you raise them up? That is one of the things we must fight for here.

The only way by which you could help the people in Lafayette Parish is raise the price of the crops they produce. Is that not right?

Monsignor LIGUTTI. That is one of the means.

There are other things, such as education within the State itself, and better conditions of living that can be effected right within the State itself.

Senator ELLENDER. Yes, but the thing that makes the horse go is what? The food he eats. The thing that makes the farmer go is the return he gets on the product he sells.

Monsignor LIGUTTI. Senator, practically all over Louisiana you can raise everything that a family needs.

And furthermore, there isn't any place in the world that is more productive than Louisiana, and the question is not using it for the proper purposes.

Then there is the question, of course, of giving to whoever raises anything for sale such a price that it will elevate him and make it possible for him to get the right kind of standard of living, the proper housing, proper facilities for raising a decent sort of family.

Senator ELLENDER. You take the cotton farmer in Lafayette, La., the parish you are talking about: He grows practically 60 percent of

his own living, but his staple crop is cotton or rice or sweetpotatoes or sugarcane; that is what he depends on.

Monsignor LIGUTTI. He could raise almost anything else he wants.

Senator ELLENDER. That may be. Some places you cannot profitably raise anything but sugarcane, such as in my parish, Terrebonne. Farmers tried to grow cotton in my own parish, but the stalks grew so tall that they had to use ladders to pick it and——

Monsignor LIGUTTI. Just like corn in Iowa.

Senator ELLENDER. Our country is so diversified that you cannot write out a formula that would be applicable to all of our people. In my own parish large land owners cannot ordinarily make money on any crop except sugarcane.

Monsignor LIGUTTI. How about potatoes?

Senator ELLENDER. Some can make it on Irish potatoes.

Monsignor LIGUTTI. You can make good money on sweetpotatoes in that neighborhood.

Senator ELLENDER. Yes; but the markets are choked up today with potatoes. Some time ago some of us got the Government to guarantee the purchase of potatoes to the tune of $6,000,000 in order to protect a few farmers, in order that they might receive a fair price for their potatoes.

Monsignor LIGUTTI. What is $6,000,000?

Senator ELLENDER. Nothing, but if we spend $6,000,000 here, $2,000,000 there, and $450,000,000 yonder, sometimes it adds to more than the taxpayers can bear.

Monsignor LIGUTTI. I am not questioning it at all. After all, that is the reason we have all the wise men in the Senate and all the economists to figure out a way whereby human beings can be given a decent existence.

Senator ELLENDER. You are a wise man. I wish you could suggest a formula that would have the effect of raising everybody upward and I would be with you. I do not mean now, Father, to build them all up to the same station at the same time. I do not mean that, but only to the extent necessary so as not to disturb the groups not covered by the pending bill.

Monsignor LIGUTTI. Now, listen. I read a book once upon a time, and I hear this expression very often: "Let us not disturb the present order," but, Senator, if the present order is disorder then it is not order. You see we say, "Well, this is the order under which we live, therefore let us not disturb it," but it is not order when some human beings are just down and out, when some poor children cannot go to school, and when some teachers, let us say in Louisiana, who have an AB degree, can only get $30 a month. That is not order; that is disorder.

I say it is the prime purpose, and a very important purpose, of most society and democratic government to see to it that steps be taken in the direction not merely of preserving the present disorder but to establish order, an order that will be a decent democratic order where every human being can have a decent chance for a decent existence.

Senator ELLENDER. Some say in south Louisiana "if a man cannot make a living he is either sick or lazy."

Monsignor LIGUTTI. If the farmers and people down there could have a decent wage, Louisiana could purchase Texas and many other States. You figure a way out, Senator.

Senator ELLENDER. I would not be in the Senate if I could, I would be too smart.

Monsignor LIGUTTI. Too smart?

Senator ELLENDER. Yes.

Monsignor LIGUTTI. Senators can do a lot of good; they have done a lot of good as well as a lot of bad.

Senator ELLENDER. We will reach our goal gradually, Father. Neither you nor anybody else, I do not believe, would be capable of drafting a bill that would take care of everybody. Every time we pass special legislation for certain groups we are bound to tread on the feet of other groups.

Monsignor LIGUTTI. Would you be in favor of giving social security to farm labor?

Senator ELLENDER. Yes.

Monsignor LIGUTTI. Old age and survivors' benefits?

Senator ELLENDER. Yes.

Monsignor LIGUTTI. You would be in favor of giving all those things. So we look upon you to fight for that, because I know what your constituents want down there and what is the right thing. Now, do whatever you can.

Senator ELLENDER. You are not a voter from Louisiana?

Monsignor LIGUTTI. I am not a voter, but I influence votes down there, Senator.

Senator ELLENDER. I see.

Monsignor LIGUTTI. Well, I want to thank you very much.

Senator TUNNELL. Thank you. We will recess until 3 o'clock.

(Whereupon, at 12:25 p. m., a recess was taken until 3 p. m. of the same day.)

AFTERNOON SESSION

The subcommittee reconvened at 3 p. m., following the recess, Senator Tunnell presiding.

Senator TUNNELL. Is Mr. McKenzie here?

Mr. MCKENZIE. Yes.

TESTIMONY OF HOWARD McKENZIE, VICE PRESIDENT, NATIONAL MARITIME UNION, CIO

Senator TUNNELL. Just give your name, if you will, and your position.

Mr. MCKENZIE. Howard McKenzie, vice president of the National Maritime Union, CIO.

Senator TUNNELL. Do you have a written statement, Mr. McKenzie?

Mr. MCKENZIE. Yes, sir.

Senator TUNNELL. How long is it?

Mr. MCKENZIE. I will not read it. I just want to make some comments on it, and I will file the brief with the committee. I am just going to get at the meat of some of the things; in other words, off the cuff.

Senator TUNNELL. Just proceed in your own way.

Mr. MCKENZIE. First of all, gentlemen, I would like to file this brief for the record. This is presented by the CIO Maritime Committee on behalf of the National Maritime Union of America, with

90,000 members, the Marine Cooks' and Stewards' Association of the Pacific, with 15,000 members, the Inland Boatmen's Union of the Pacific, with a membership of 3,000 on the inland waters of the Pacific coast, the American Communications Association, Marine Department, representing 5,000 members, Radio Operators aboard lake and ocean vessels, and the Marine Engineers Beneficial Association, representing 15,000 engineers on the rivers, lakes, and oceans.

(The statement referred to appears in the appendix.)

Senator ELLENDER. What is your connection with these unions?

Mr. MCKENZIE. I am vice president of the National Maritime Union and I am presenting the statement for the CIO Maritime Committee, which includes the unions I have just referred to.

As I say, I just want to touch on some of the highlights of this brief, and in sailor language tell you why we believe the seamen should be included in this act, and why we think we are entitled to 65 cents an hour and a 40-hour week.

In the first place, the seamen were not included specifically in the Fair Labor Standards Act, and the reason for it was this:

In 1937, the United States Maritime Commission made promises to the seamen that they would establish good working conditions, good wages, and good manning scales aboard ships. It was at that time that the question arose as to whether or not the seamen should be under the Fair Labor Standards Act. The question was raised at the time that there would be two agencies to administer minimum standards for seamen and that there might be a conflict between the Maritime Commission's jurisdiction and the agency administering the Fair Labor Standards Act. Our position was indefinite at that time for this reason. On the basis of the profuse promises of the Maritime Commission to take such good care of the seamen, and in view of the fact that as so-called wards of the Government we were to be afforded special treatment, the question was not pressed by the Maritime Union.

Senator ELLENDER. What led you to believe that by being under the Fair Labor Standards Act of 1938 you would remain under the jurisdiction of the Maritime Commission?

Mr. MCKENZIE. We had the belief at that time that the Maritime Commission might give us more than 40 cents an hour.

Senator ELLENDER. In other words, to be frank and candid, I presume that the rates fixed in the Fair Labor Standards Act were not very attractive to the Maritime Union; is that true?

Mr. MCKENZIE. Yes.

Senator ELLENDER. And that is the reason why you did not attempt to get in under that act?

Mr. MCKENZIE. On the basis of promises of Government officials, we thought we had protection.

Senator ELLENDER. And now you want to come under it because of the attractive rates—or at least the more attractive rates that have been suggested in the bill?

Mr. MCKENZIE. That is correct.

Now, following that situation, in 1937 the Maritime Commission did institute hearings throughout the country in various coastal cities to ascertain the actual wages, conditions, and so on, of seamen. They started a survey, and then it suddenly died a natural death. As a matter of fact, we have been pressing for the last 6 or 7 years for the United States Maritime Commission to do something about

this. Two weeks ago, when we put the pressure on, they refused flatly to consider the question of making a factual survey of the seamen's conditions.

Senator SMITH. What reason did they give for that?

Mr. MCKENZIE. They simply said—here is the reason for it—the United States Maritime Commission is a peacetime agency of the Government dealing with the merchant marine. During the war their operating functions were taken over by the War Shipping Administration, but in effect the Maritime Commission and the War Shipping Administration are twin sisters. It seems they are having a lot of confusion as to who is what, and what they intend to do, and so forth, and you just can't get head or tails out of the situation. First the Maritime Commission says it is the War Shipping Administration's responsibility, and vice versa, and neither will assume responsibility for doing something about it.

Senator SMITH. Would it not be a stronger position with your union to bargain collectively for your position than to complicate it with the Fair Labor Standards Act?

Mr. MCKENZIE. No, sir. We think we will get much better treatment under the Fair Labor Standards Act. The promises made by the Maritime Commission have never been kept. They have made these promises but have not delivered in the 7 years we have been attempting to get them to do so.

Senator SMITH. How can you handle the hours matter with a man on ship?

Mr. MCKENZIE. All of that is spelled out in the brief. It goes fully into that.

Senator SMITH. I will be glad to see the brief.

Senator ELLENDER. What would be your position with respect to the bill if Congress should decide to make the minimum 50 cents instead of 75 cents in 3 years?

Mr. MCKENZIE. That, of course, is a question of speculation. We are assuming Congress will make it 65 cents.

Senator ELLENDER. The speculation may be as much 50 cents as 75. Suppose Congress should decide that the minimum rate in this wage-hour bill should be 50 cents rather than as indicated in this bill, what would your position then be as to the bill?

Mr. MCKENZIE. That is a hypothetical question.

Senator ELLENDER. Yes; I am putting it that way just so I can find out what your position would be.

Mr. MCKENZIE. We would have to solve that question by the economic and political strength of the Maritime Union, and we would solve it in this way: We know from long experience that any time seamen are excluded from wages and working conditions which pertain to those engaged in shore-side industry, we always take a shellacking, and even if, as you say, that situation will arise 3 years from now, we will take our chances on it.

Senator SMITH. You could do that whether you came within the minimum wage law or not, and that is the point I made a minute ago, that you would be just as strong with the Maritime Commission, or stronger, than if you tried to come under a law that might not be adequate.

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Mr. McKENZIE. It may be that I am confused in what the committee is set up for, but I have assumed the committee is having a hearing on 65 cents and not 50 cents.

Senator ELLENDER. This committee can lay the bill aside if it sees fit. Everyone expects the committee will not do that, but the mere fact we are now considering a bill with a minimum of 65 cents an hour for the first year and 75 cents an hour for the third year, does not mean that the bill will come out of the committee as written. The minimum may be as low as 50 cents.

Now, what I am asking you is what position your union would take on the matter if Congress should decide to make it 50 cents and let it go at that; would you want to be in or out of the bill.

Mr. McKENZIE. In, for the simple reason that the shipowners, under those conditions, may want to cut the seaman's wage to even 25 cents.

Senator ELLENDER. You do not think employers would do that; do you?

Mr. McKENZIE. They might try it. They have tried it before. That is pretty well known.

Senator ELLENDER. What are your rates now?

Mr. McKENZIE. They are all in here.

Senator ELLENDER. They are all in your brief?

Mr. McKENZIE. Yes.

Senator ELLENDER. Then, I will not anticipate you.

Mr. McKENZIE. It may be, if I went over the whole question I would be able to answer specific questions a little better.

Senator ELLENDER. All right.

Mr. McKENZIE. In connection with the general background of seamen, let me say this:

Seamen, generally speaking, have been excluded from all legislation which has been beneficial to workers in shore-side industry, not only in rates of pay but unemployment insurance and other legislation which has been of real benefit to the majority of American shore-side workers. This was done on the presumption that seamen are not the same as shore-side workers, and due to the very bad conditions which obtained on ships in years gone by, and which still obtain to a limited extent, the employers fostered the illusion that seamen were an irresponsible lot. Today we have a situation where the seamen is a family man. He has the same responsibilities and expenses as a shore-side worker, and for that reason it is necessary that seamen be considered in the same status as people who work ashore for a living. There have been several studies made. Incidentally, the facts and figures concerning the maritime industry are limited, for the simple reason that we have not been able to get the Government to make the same type of survey in the maritime industry as has been made for shore-side industries. So, as a result, we have had to take whatever facts and figures that could be obtained through limited resources and draw a conclusion from them.

Senator ELLENDER. What kind of survey do you have in mind?

Mr. McKENZIE. I have in mind a survey to investigate whether the majority of American seamen today are married and have children and have family responsibilities, the same as shore-side workers.

Senator ELLENDER. Why could that not be easily obtained by you?

Mr. McKENZIE. We do have a survey here, but the trouble is that every time the union puts out a survey, the employers challenge it.

We want the Government to make it so that nobody can challenge it. The Government has not done it, although we have been asking for it for 7 years.

Senator ELLENDER. You want to use that survey as a basis for what?

Mr. McKENZIE. We want to use it to establish the fact that the old, worn-out tradition that seamen are some special breed of cats no longer obtains. We want to establish the fact that they are married and have family responsibility. Prior to the war the wage and hour conditions of seamen were so low that seamen could not get married, but with the advent of the war and the union, we have raised the wages. As a result the seamen got married.

Senator ELLENDER. As a matter of fact, you will concede that the reason for all of that is that a merchant marine to handle our trade has not been very successful in the past because of competition from England, Norway, Sweden, and other countries. The cost of subsidizing a merchant marine would be so great that it would be to the advantage of the manufacturers of this country and the shippers of products to depend on outside facilities to handle their trade, rather than to establish a merchant marine in this country; is that not true?

Mr. McKENZIE. That is a theory that is not substantiated by facts and figures. The Government figures prove that during the period that the seamen were paid the lowest possible wages, we had the smallest merchant marine, and that the American merchant marine has been the largest during periods when we paid the highest wages. The Government figures will establish that fact. It is simple arithmetic.

Senator ELLENDER. You do not mean to say that freight can be handled by utilizing American vessels as cheaply as it can be handled in English and Scandinavian bottoms do you?

Mr. McKENZIE. Well, the answer to that is that if you were to pay the American seamen the 65 cents an hour minimum and time and a half on a 40-hour week, you would only increase the operating cost of the industry approximately 3 percent. Of course, that will be denied by the economists employed by the shipping interests, but we are prepared to prove that. Secondly, we cannot hold to the theory that because Great Britain pays galley wages, we should sweat out the American seamen.

Senator ELLENDER. I am not arguing that point at all, but you do concede that in order for this country to maintain its own shipping facilities, it will be necessary to subsidize; that we would have to take money out of the Treasury in order to be able to maintain a fleet of ships?

Mr. McKENZIE. The Government subsidizes the shipowners, and subsidized them when they were only paying $25 a month for an able-bodied seaman. We think the Government lined the pockets of the shipowners when they did that, instead of it going to the seamen. We contend that subsidies given to the shipowners to maintain the so-called differential between foreign competition and American shipping costs, in order to keep the American shipowner in business, have been unfairly distributed, and that the shipowners, instead of allocating it to the seamen, have put it in their own pockets.

Senator ELLENDER. Whether it goes into the pockets of the seamen or the shipowners, the fact remains we cannot maintain a merchant marine unless a subsidy of some kind is paid by the Government.

Mr. McKENZIE. I am not prepared at this moment to go into the whole question of subsidies. Our facts and figures demonstrate, however, that steamship companies, even though they have not been subsidized, have made tremendous profits during the war and are still making them.

Senator ELLENDER. Let us forget about the war now; let us revert to normalcy.

Mr. McKENZIE. Before the war, it was true, too.

Senator ELLENDER. That ain't the way I heard it.

Mr. McKENZIE. I was on the negotiating committee for 8 years; we negotiated with the shipowners, and I know they broke out the crying towels every year, saying that they did not see how they could remain in business, but they are still in business.

Senator ELLENDER. That may be so on coastwise shipping. We have a lot of them that are doing well on coastwise shipping, but I am talking about foreign commerce, where we have conpetition from abroad.

Mr. McKENZIE. I do not quite get your point. Is the question that if you were to pass this bill and it applied to seamen, it would not be possible for ship owners to operate on a profitable basis due to foreign competition?

Senator ELLENDER. That is one of the conditions; yes. If we impose a 75-cent minimum at the end of 3 years and impose the 40-hour workweek minimum, my opinion is that insofar as foreign commerce is concerned we might have to increase the subsidies to maintain the ships, many times more than is now contemplated. It is my opinion although I may be wrong about it—as a matter of fact I discussed it with members of the Commerce Committee, and in fact with the chairman of the Commerce Committee some time ago, and as I understood him to say, it would be practically impossible under present conditions for the United States to encourage shipping; that is, maintain a large maritime business, unless the Government were ready to subsidize to a large extent. When I say "subsidize" I mean subsidize foreign commerce and not coastwise shipping. We can control that. I am talking about commerce between our country and Africa, Europe, Asia, South America, and the like; that is what I am talking about.

Mr. McKENZIE. I would like to point out again that the fact which we have demonstrate that for the shipowners to pay 65 cents an hour minimum and give us a 40-hour week, it will actually increase their operating costs approximately 3 percent.

Senator ELLENDER. How about 75 cents?

Mr. McKENZIE. That might make it 4 percent, or 4½ percent.

Now, there is another question that comes in here which we had before the War Labor Board and on which we had some argument from shipowners. They screamed that, due to foreign competition, they could not pay the outrageous wages asked for. We pointed out to the War Labor Board that the seamen were only a section of the workers that were involved in the operating costs of the maritime industry and that you have hundreds of thousands of longshoremen, checkers, stenographers in the offices, and so on down the line. If we follow the argument that because of foreign competition we have got to pay the seamen low wages, then, by that same token, the shipowners would argue we should cut the wages of everybody. That is our big beef. We say they should put the seamen on the same basis as shoreside workers. Why take a subsidy out of our sweat?

Senator ELLENDER. I do not think that should be done, but I am saying, if we are to have a large fleet of vessels under the American flag, that this bill would considerably increase the subsidies now in contemplation. You do not mean to say we will not be compelled to provide for subsidies, do you?

Mr. McKENZIE. I am not here to argue about subsidies, but I would have to have some very definite facts and figures on the profit made by some of these companies under subsidy before I would agree to subsidize further. There should be a factual review made of profits. We maintain that their profits make it possible for them to pay 65 cents an hour as a minimum and give us a 40-hour week.

Senator ELLENDER. Under war conditions I have no argument. A large percentage of English tonnage was sunk and also quite a bit of the Scandinavian. The point I am arguing does not apply during the war, when we had ships and cargoes that we could direct ourselves. There was no question that our ships were going to carry the freight. There was no competition. I am arguing about the postwar period when there will be open competition between us and countries like Great Britain, Norway, Sweden, Denmark, and other maritime nations. These countries will come head-on with our own business of merchant shipping flying the American flag. That is what I am talking about.

Mr. McKENZIE. I cannot answer your question the way you want for the simple reason, if I were to go on record saying that the ship owners ought to have certain subsidies in order to pay a few more pennies now, they would be down here and demanding that the taxpayers pay an exorbitant bill. I do say if the ship owners were required to pay 65 cents an hour and give a 40-hour week it would only increase their operating costs 3 percent, and if they need a subsidy for that, we will back them up.

Senator ELLENDER. For what time are you figuring; is it during the war?

Mr. McKENZIE. During the war, before the war, and right now.

Senator SMITH. Right on that point would not the establishment of the minimum wage above the present minimum tend to increase wages all the way through and increase the wage costs in the operation of all of these companies? You are not arguing whether we should or should not have a subsidy that is a matter of Government policy but you are trying to put your people on the same basis as other workers and I am sympathetic with that. But if you adopt the 65 cents an hour for your lowest-paid people, you will get that same movement all the way through all of the other classifications and your wage cost will then go higher than 3 or 4 percent; that wage cost will go way up and we have to consider the wisdom of the whole picture.

Mr. McKENZIE. Sixty-four percent of the men now employed in the maritime industry receive less than 65 cents an hour. As to the balance, there is a lot of variation. If there is the same rate aboard ship and ashore, the ship owner of necessity, irrespective of this bill, will have to make some adjustment for it. He has to do it.

Senator ELLENDER. Do not all of your unskilled labor groups belong to one of the unions and are they not all protected by collective bargaining?

Mr. McKENZIE. Yes.

Senator ELLENDER. None of them are outside of a union?

Mr. McKENZIE. That is right.

Senator SMITH. I am thinking particularly of the large number of people in this country who are not in unions and who are therefore not protected by the collective bargaining principle. But I think where you have collective bargaining, your best weapon is there, much better than any legislative wage.

Senator TUNNELL. You like strikes better?

Senator SMITH. No; I do not. What I am saying is, if we do it that way, there should not be any strikes.

Senator TUNNELL. That is the only weapon they have.

Senator SMITH. I think collective bargaining is a splendid weapon and if properly used there need be no strikes.

Mr. MCKENZIE. All of the strikes we have had on the water front since 1934 are based on the fact the seamen are insisting on the same treatment as workers in shore-side industry, and they are going to tie up these ships until this thing is recognized by this Government and the employers. If the employers will not recognize the collective bargaining principle, we will have to fight it out on the water front.

Senator SMITH. You think you will not get proper treatment from the Government, the Maritime Commission, and so you are asking us as the Congress to give it to you?

Mr. MCKENZIE. The shipowners have all of their stooges in the Maritime Commission.

Senator SMITH. That seems to be a debatable question.

Mr. MCKENZIE. The point is I have been through this mill for some years. In the maritime industry you will meet with the shipowners in New York. There are 39 steamship companies under one contract, and you discuss the question of wages and hours and conditions, and they say, "We cannot do anything about it because the War Shipping Administration and the United States Maritime Commission are involved, and therefore you should go down to Washington and see those people down there." Then we come to Washington and see the same shipowner in uniform, and he says, "Go back to New York and meet those guys up there." So at this point we cannot get either the Government or the shipowners to negotiate, as each claims the other should do the collective bargaining.

Senator SMITH. I am entirely sympathetic with you. There should be one authority you can deal with. But assuming you had the right kind of authority you would rather deal with that authority and bargain collectively than to have something passed by Congress that creates a situation in which there is no flexibility?

Mr. MCKENZIE. We think at this point, politically, we have more representation in Congress than we have in the Maritime Commission.

Senator SMITH. You are asking the Congress to line up against the Maritime Commission?

Mr. MCKENZIE. No; we say they should represent the workers as well as the employers, but we also say the Maritime Commission is an employer group; it is owned, controlled, and dominated by the shipowners' associations and there are no labor people on it.

Senator ELLENDER. Whenever the question of upping wages or fixing hours is concerned, with whom do you deal?

Mr. MCKENZIE. We deal with the employers.

Senator ELLENDER. Why is it necessary for you to go to the Commission?

Mr. MCKENZIE. Because the employers say that during the war and up to the present time they are not employers and they are not authorized to act on behalf of the Government to negotiate collective bargaining contracts.

Senator ELLENDER. How about before the war?

Mr. MCKENZIE. Before the war we met with the employers directly.

Senator ELLENDER. What happened then?

Mr. MCKENZIE. If they did not meet our demands, we tied the ships up.

Senator ELLENDER. To what extent were you able before the war to increase wages?

Mr. MCKENZIE. We increased our wages from $59 a month for an A. B., to $100 a month for an A. B. That is for the most typical seamen aboard ship; we increased it from $59 to $100.

Senator ELLENDER. And that is what it is now?

Mr. MCKENZIE. No; it is $145 now.

Senator ELLENDER. During the war it was raised?

Mr. MCKENZIE. Yes.

Senator ELLENDER. How did you accomplish that?

Mr. MCKENZIE. By political action.

Senator ELLENDER. Political action on whom?

Mr. MCKENZIE. Well, the dispute on the 55 cents an hour went down to the War Labor Board, and we threw a picket line around the War Shipping Administration throughout the entire Nation, telling the American people the War Shipping Administration was allowing a wage only of 34½ cents an hour, while we wanted 55 cents an hour. We got city governments to pass resolutions, and we had the whole country in an uproar on the whole situation. The American people said the seamen deserved more than 34 cents. If we had not told the people about it, we would still be whistling for it.

Senator ELLENDER. What does that mean per hour?

Mr. MCKENZIE. What the War Labor Board gave us—they fell 2 pennies short, allowing 53 cents, starting with ordinary seamen.

Senator ELLENDER. That is the lowest rate?

Mr. MCKENZIE. Yes.

Senator ELLENDER. What does the seaman get aside from hourly pay?

Mr. MCKENZIE. That is all he gets.

Senator ELLENDER. Does he have to pay his board?

Mr. MCKENZIE. No; he does not.

Senator ELLENDER. Who pays that?

Mr. MCKENZIE. The employer pays it.

Senator ELLENDER. What do you consider that is worth per hour?

Mr. MCKENZIE. Zero.

Senator ELLENDER. Now, you are not telling me that three meals a day and a place to sleep in, no matter how humble, is not worth anything.

Mr. MCKENZIE. If a man has a wife and three kids, it is of not benefit to him. Again we come back to the question whether a seaman has a right to maintain a home and family, and the fact he gets three meals aboard ship does not materially give him an increase.

Senator ELLENDER. That is because of the kind of employment he is engaged in.

Mr. MCKENZIE. That is right.

Senator ELLENDER. But it is certainly worth something for him to obtain his board and a place to sleep. What do you figure that is worth to a single man, how much a day or an hour is it worth?

Mr. McKENZIE. We go on the premise of the married man, since the majority of the seamen are married. You cannot pay one rate to a single man and another to a married man. In order to stop this kind of argument, we are trying to get our single seamen to get married, but quick, and to get the baby buggies going. We have the majority of them thinking that way now, and we will have the rest them shortly.

Senator TUNNELL. You say practically all of the seamen are unionized?

Mr. McKENZIE. About 90 percent.

Shall I continue on this?

Senator ELLENDER. I am sorry you won't answer my question.

Mr. McKENZIE. What is it?

Senator ELLENDER. I just asked what is it worth to a man living on a ship, per hour or per day, for the three meals he gets and other services while aboard ship.

Mr. McKENZIE. On some ships you have six men in a room. That is worth about 25 cents a day for a single man.

Senator ELLENDER. Twenty-five cents?

Mr. McKENZIE. Yes; two bits.

Senator ELLENDER. How about the eats?

Mr. McKENZIE. Well, if I were a single man and could not have my choice of the menu, I would not consider it worth very much. Unless I had the right to select my food, I would not consider it as being worth anything. Like most seamen, I am pretty particular.

Senator ELLENDER. Have you been to sea much?

Mr. McKENZIE. Yes; for quite a number of years, and that is why I am so thin.

Now, on the surveys conducted on those who are married and have dependents, the United Seamen's Service made a study and they established the fact that out of 100 men, only 20 had no dependents; the rest were married or had dependents. On the survey undertaken by the National Maritime Union, we took 70 people at random, and out of the 70 only 27 had no dependents, and the remaining 43 had from 1 to 6 dependents each.

On the west coast, the United States shipping commissioner at San Francisco states that approximately 80 percent of seamen sign over an allotment of a portion of their pay to dependents. This is in marked contrast to the years 1936 and 1937, when only 15 to 20 percent of seamen signed allotment papers, and of these the majority were in the licensed group, engineers and the higher-paid group.

All wartime studies understate the dependency status of seamen under normal conditions. During the war the merchant marine had to resort to recruiting men below the draft ages in order to meet the labor-force requirements.

In short, the seamen now are starting to claim their kids legally.

Now, in connection with the conditions aboard ship as against the question of board and room, we have a situation in the maritime industry where seamen are subjected to all kinds of rules and regulations. There are more laws and rules and regulations governing a seaman aboard ship than you have for a prisoner of war. The master of a ship is the lord of all he surveys. No matter which way a seaman moves, he is subject to extremely rigid discipline. He is away from his family; he does not have the social life other people have, and these are all great hardships. In addition he is subjected to all kinds

of changes in the weather, from the cold of the Arctic down to the heat of the Tropics. Also he is exposed to certain dangers, such as shipwreck, collision, and so on.

Senator SMITH. But he is free to accept the occupation and does not need to stay there if he does not like it. But I find a lot of them like the life. It is their way of life. I don't know whether you like the sea, but there must have been something that attracted you to it in spite of those handicaps and hardships which you mention.

Mr. McKENZIE. Frankly, I was pretty young when I first went to sea and the only reason I went was because I could not find a job ashore. I did not want to go until I started, and then I just kept on going. Like most seamen, many times I would say, "This is my last trip," but because I was always broke I would finally wind up by going back aboard a ship. If you had enough for a pint of whisky at the end of a 6 months' trip in those days, you were lucky.

Now, on the question of skill aboard ship, today the ships are highly mechanized and have intricate machinery both down below and on deck. A seaman on deck aboard ship has to be a technical, skilled man and know his job. That is becoming more and more so all the time. In this connection I would like to quote from Admiral Land. In a letter to Chairman Bland of the House Merchant Marine and Fisheries Committee, he stated as follows:

> Immemorially merchant seamen have been treated as "wards of the Government." This is not always to their liking, nor is it in keeping with their bravery and independence. It has, to be sure, resulted in the enjoyment of some historical rights, privileges, and benefits not available to other workingmen who can live at home and take their leisure daily at liberty. But it is fair to say generally that the industrial status of seamen is not in line with contemporary developments either here or abroad. Despite a hard and uncertain calling, they do not have, for example, the protection of unemployment insurance, workmen's compensation, group life insurance, pensions, or retirement plans.

I raise that point at this time because of the laws that govern seamen, passed by Congress, and the regulations of various Government agencies, and due to the fact that the Government at the present time actually owns and operates the merchant marine, and due to the fact also that even in normal so-called peacetime the Government has a large stake in the merchant marine, and we take the position the Government has a special responsibility to seamen.

I think, in connection with being wards of the Government, in one State they classify us just the same as people in the insane asylum. I do not recall just——

Senator ELLENDER. Which State is that?

Mr. McKENZIE. It is a Southern State. I think it is South Carolina.

Senator ELLENDER. That must have been an old law. It is not a recent law, is it?

Mr. McKENZIE. It is still on the books, though.

I might say it will be noted Admiral Land left out that we do not have an adequate minimum wage or the 40-hour week.

Now, I want to give the committee some idea of the skill of a seaman aboard ship. An able-bodied seaman has approximately the same type of work as a shore rigger in a shipyard, and for this a seaman now gets 61 cents an hour, a skilled, able-bodied seaman. A rigger doing the same work, tying the same kind of knots, gets $1.03 an hour. In the case——

Senator ELLENDER. That is in building a ship?

Mr. McKENZIE. Yes.

Senator ELLENDER. Or repairing?

Mr. McKENZIE. Yes.

We have examples which show graphically how the status of a seaman changes when he leaves the dock and goes aboard a ship. On the Pacific coast, the Pacific Coast Ship Owners Association have a contract with one of the maritime unions. These able-bodied seamen work in shore gangs, and while there they are painting the ship or overhauling the gear. For that they get $1.34 an hour, and when he ships out of that port he gets only 61 cents an hour for painting the same ship and doing the same type of work, and that is right in the same contract.

Now, on the question of hours worked, the workweek at sea is 56 hours, 7 days a week and 8 hours a day. In the old days they used to work 12 hours a day, and even at that time the shipowners claimed if they reduced the hours it would bankrupt them. Now it is down to 8 hours, that is, except in the stewards' department, where the working hours will run consistently as high as 63 without overtime pay. That is the workweek at sea. We take the position that seamen are entitled to a 40-hour week. Well, the question is how to apply it on board ship. If you pay shoreside workers time and a half for working over 40 hours a week, we say the same thing should apply in the case of seamen. The shipowners will argue they cannot tie the ship to a seaweed in the ocean, so why pay this time and a half. Our answer is that on board ship you could have a 40-hour week, or at least a 42-hour week. There used to be two watches on deck, 6 hours a watch, or 12 hours, but now it is down to a total of 8 hours. At the present time, by putting on approximately seven or eight extra men, seamen could have a 6-hour day, and 7 days a week, or a 42-hour week. This, they can do.

Senator ELLENDER. You say it would take only six more men?

Mr. McKENZIE. From 8 to 10 men.

Senator ELLENDER. How many does it take now to operate the average Liberty ship?

Mr. McKENZIE. About 28.

Senator ELLENDER. Has that been much of a decrease as compared to 10 years ago; I mean increase or decrease?

Senator TUNNELL. You did not have any Liberty ships then, did you?

Senator ELLENDER. We had Victory ships, or ships of that type.

Mr. McKENZIE. The first time a maximum-hour law for seamen was placed on the books, the La Follette Act, was in November 1916, and that applied only in the engine department. The stewards' department still does not have a maximum-hour law. It was not until 1937 they applied it to the deck department. There were steamship companies which worked their men 12 or 14 hours on deck. I worked those hours on board ship. As a matter of fact in those days we also had a situation where the shipowner would let you go aboard ship for 1 cent a month, and you worked in the ship for nothing.

Now, in connection with the 40-hour week we have an interesting comment to make on how that can work. I cannot find it in the copy here, so I will quote it just from memory.

There was a big argument in Australia in connection with the 44-hour week, and the Australian shipowners, just as the American shipowners, said it was not practicable, that it would bankrupt the industry, and so forth. A study was undertaken by the Australian Government, the Maritime Council of the Australian Government, in 1942, and they found it was possible and placed into effect a 44-hour week for Australian seamen. Right now, on Australian ships you have a 44-hour week. That is done, of course, by adding a few extra men to the crew. So it is possible.

Senator ELLENDER. What is their rate of pay per hour in contrast to ours, if you know?

Mr. McKENZIE. I don't know the exact figures, but the wages and hours and conditions on the Australian and New Zealand ships for seamen compare favorably with ours. It is a few dollars below, but the cost of living enters into the situation.

Senator ELLENDER. The cost of living?

Mr. McKENZIE. Yes. Compared to the shoreside industry, I would say that the wage and hour conditions of the Australian seamen compare very favorably, and perhaps even more so than shore-side industry.

Senator ELLENDER. But in respect to the conditions on board ship, how do they compare with ours?

Mr. McKENZIE. Conditions are better in some respects. They have a better clause in their collective-bargaining contracts.

Senator ELLENDER. Do they get more per hour or per month, or whatever the method of payment is?

Mr. McKENZIE. No.

Senator ELLENDER. Do they get as much?

Mr. McKENZIE. I don't know the exact figures, but they are a few dollars below our scale now.

Senator ELLENDER. I thought they were. I thought the British were, too.

Mr. McKENZIE. There is a situation dealing with the cost of living in Australia, a situation that we do not have. The Australian seamen have wages and hours and conditions that do compare with shoreside industries. We do not, in the American merchant marine, and still they survive against foreign competition.

Senator ELLENDER. But still they pay less than we do, insofar as work done aboard ship is concerned?

Mr. McKENZIE. They pay less to the shipyard worker and less to the congressmen, too, if you want to get down to cases.

Senator ELLENDER. Yes; and more for lawyers and judges?

Mr. McMcKENZIE. I don't know about that.

Senator ELLENDER. I am positive of that.

Mr. McKENZIE. Mr. Chairman, there are two more people who are going to testify, and I want to give them a chance to speak. One is from the Pacific Coast Firemen and the other from the Marine Cooks and Stewards.

Senator TUNNELL. I have only one name here, yourself.

Mr. McKENZIE. They just want to testify for only a few minutes. I think you can get it better from them than from me; that is, the feeling of the rank and file.

I wanted to say a few words on this subsistence question. In the first place, in our collective-bargaining contracts, the matter of board and room has never been an issue between the Maritime Union and the employers. It has been conceded in our collective-bargaining contracts between shipowners and the union that board and room is not a part of a seaman's wages. That issue was never raised by the

employers until this recent War Labor Board case. Until that time it was never raised as a point by employers, nor conceded as a p oint by the Maritime Union. Our wages are spelled out in collective-bargaining contracts and they make no provision for deduction for board and room.

The Wage and Hour Division of the Department of Labor, in Bulletin No. 3, stated that board, lodging, and other facilities which are primarily for the benefit and convenience of the employer will not be recognized or included in computing wages. The Treasury Department recognizes board and room aboard ship is not part of a seaman's wages and excludes it from taxation. The War Shipping Administration has held that in determining the amount of wages subject to withholding, there shall be included regular wages but not the value of lodging and subsistence. They recognize, for example, that a seaman cannot use the coffee aboard ship for his family, and cannot take a ham out of the icebox and bring it home to his family. The seaman has no choice but to accept the room and board supplied by the operator, and he does so because of the nature of his occupation, and he cannot do otherwise.

In our collective-bargaining contracts, where the shipowners do not provide board and room, they pay cash, $5.20 a day, to eat ashore, if it is not supplied aboard ship.

So, if you want to argue this board and room question, you will have to say the seaman should get $5.20——

Senator ELLENDER. I was not trying to argue, but only to get the facts.

Mr. MCKENZIE. These are the facts. If you take the arguments we have in our collective-bargaining contracts, that the shipowners claim it is part of the wages, then the shipowner is bound to give the seaman $5.20 a day.

Senator ELLENDER. Going back to the question of the minimum wage which you say is applicable to all seamen—and I take it that is throughout the country—the 55 cents, I understand that applies to all of them, no matter where located?

Mr. MCKENZIE. 53 cents; we got gypped out of 2 cents.

Senator ELLENDER. That applies in all parts of the country?

Mr. MCKENZIE. That is right.

Senator ELLENDER. Why were you not able to get it higher than that during the war?

Mr. MCKENZIE. Because we had a no-strike policy during the war. We have a perfect no-strike record during the war; not one ship was ever held up by the National Maritime Union or any organizations involved.

Senator ELLENDER. What was the minimum wage you were able to get by collective bargaining before the war?

Mr. MCKENZIE. In collective bargaining before the war, by applying the strike weapon, we forced the shipowners to pay $100 to an A. B., plus $80 a month, a so-called war bonus.

Senator ELLENDER. What is that on a per hour basis?

Mr. MCKENZIE. $180 divided by 240 is—76 cents an hour. That is the take-home pay we forced the shipowners to pay us prior to the war.

Senator ELLENDER. Why could you not maintain that during the war?

Mr. MCKENZIE. Because we had a no-strike policy and had to depend on the benevolence of the employer. Now the war is over.

Senator ELLENDER. Are we to understand that the men employed on ships were getting more before the war than during the war?

Mr. MCKENZIE. They were getting more money before the war in some cases than they are getting right now in terms of take-home pay, yes.

Senator ELLENDER. How was that?

Mr. MCKENZIE. We had $100 for an A. B., and by strike action we forced a $80 war bonus. They would not call it wages, but bonus. But that was our take-home pay. Now it is $145 for the same rating.

Senator ELLENDER. The same work?

Mr. MCKENZIE. Yes.

Senator ELLENDER. Did any portion of that $180 come from the Government by way of subsidy that you know of?

Mr. MCKENZIE. I suppose some of it did.

Senator ELLENDER. Why was it not——

Mr. MCKENZIE. About 20 outfits at that time made something like $30,000,000 clear profit on trips to the Red Sea.

Senator ELLENDER. That was during the war?

Mr. MCKENZIE. No; before the war.

Senator ELLENDER. Before we got into the war?

Mr. MCKENZIE. That is right, in 1941, I believe.

I think the best way to evaluate the board-and-room question is to put it on the basis that the United States Government does not consider that the expenses that you are given for board and room away from ship are part of salaries and wages. That applies to all Government employees, and we come in the same category.

I think that about winds up the question of 65 cents an hour and the 40-hour week. I would like to spend a few moments on the ability of the shipowners to pay, in terms of profit. I want to stress again the fact——

Senator ELLENDER. Before you go into that, have you anything in your brief to show how much more your lowest-paid seaman would receive if the rate of pay were fixed at 75 cents plus overtime, which you are now contending should be paid?

Mr. MCKENZIE. No.

Senator ELLENDER. It could be easily figured, I presume.

Mr. MCKENZIE. Oh, yes. It would be 65 times 40.

Senator ELLENDER. That is $26.

Mr. MCKENZIE. That is without overtime. At time and a half that would be roughly about $25 a month more; about $175.

Senator ELLENDER. At 75 cents it would amount to about $43——

Mr. MCKENZIE. It would amount to about $207 for able bodied seamen, that is, on board ship; $50 a week, roughly.

Now, in connection with the rates of pay per week, there is an item I overlooked here. In the Pittsburgh area, where we have a collective-bargaining contract, a deckhand on the Pittsburgh boats receives 78 cents an hour. The corporation out there takes the position that the men working on the boats for the company have a relationship to the steel workers ashore, and that is why they recognize the fact that there has to be a connection between what they pay people ashore and people aboard the boats. So the pay of a deckhand there is 78 cents an hour.

Senator ELLENDER. He does not go to sea, though?

Mr. McKENZIE. Oh, yes, he goes out a great deal. Those boats go in and out in a few hours. He does not have much time at home with his family.

Now, on the financial status of some of these employers, their ability to pay these few extra pennies, in the years 1940 through 1944, 12 subsidized shipping companies had a net profit before income tax of $190,000,000, and a net profit after income tax of $172,000,000.

Senator ELLENDER. Of what?

Mr. McKENZIE. $172,000,000 after taxes.

Senator ELLENDER. How many companies?

Mr. McKENZIE. Twelve subsidized shipping lines.

Senator ELLENDER. They did not pay much taxes, did they?

Mr. McKENZIE. They are getting most of it back now, I understand, on top of that.

In addition, these 12 companies in the 5 years between 1940 and 1944, deposited $231,000,000 in the tax-free capital reserve funds, and nearly $88,000,000 in the tax-free special reserve funds.

So the subsidized lines have been showing a substantial profit.

The coastwise lines from 1940 to 1943 made $91,000,000 profit before taxes and $45,000,000 after taxes.

The intercoastal lines made a profit of $75,000,000 before taxes and $33,000,000 after taxes.

Senator ELLENDER. Do you know what their investment was?

Mr. McKENZIE. Well, the coastwise lines, I know, had old, broken-down rust buckets in operation that had been operating for about 20 years. The life is supposed to be 20 years, and most of the coastwise boats are 20 years old or older. So, from that point of view of depreciation of capital, it is a real gravy train.

The unsubsidized foreign lines made a profit of $110,000,000 before taxes and $54,000,000 after taxes. In addition, the coastwise lines deposited $111,000,000 in the tax-free construction fund——

Senator ELLENDER. Do you have any idea what the subsidy would amount to?

Mr. McKENZIE. Frankly, I have been trying to find out for a number of years just how this thing works, but it takes a financial genius to find out. We have employed trained economists because we cannot tell how the shipowners' economists are trying to do. We are trying to see how it works out in terms of subsidy. I know it is plenty and that is all I do know.

Senator ELLENDER. You do not think Congress would appropriate money for subsidizing ships unless it was necessary, do you? In other words, a case would have to be made out, don't you think?

Mr. McKENZIE. Well, Congress might give the shipowners exorbitant subsidies based upon the plea of the shipowners that they cannot operate without a subsidy. Take, for example, the Black investigation, the seagoing Teapot Dome scandal; they got millions of dollars for carrying one letter or 1 pound of mail.

Senator TUNNELL. That was subsidizing mail.

Mr. McKENZIE. Yes; but it went to the shipowners on the theory they had to have that money to compete with foreign steamship lines.

Senator TUNNELL. The United States Government does subsidize them.

Mr. McKENZIE. That is true. As a matter of fact, a good many offshore companies have been heavily subsidized.

Senator TUNNELL. Does your associate wish to say something?

Mr. McKENZIE. Yes.

Senator TUNNELL. Give your name, please.

Mr. HADDOCK. Hoyt S. Haddock.

Senator TUNNELL. All right.

Mr. HADDOCK. It depends entirely upon the particular company and what its operations are. It is based upon the differential between cost of supplies and labor and cost of the vessel.

Senator TUNNELL. This whole problem as to subsidies would come up anyway, regardless of the wages.

Mr. McKENZIE. That is true. That came up in Congress when they paid $25 to an able-bodied seaman. In other words, when they paid the same wage to the American seaman as the British paid, and where the Norwegian and Swedish paid higher to their seamen than we did, they still came down here and said they could not compete with foreign lines.

Senator TUNNELL. We have about five times as much shipping as we had at the beginning of the war.

Mr. McKENZIE. That is right.

Senator TUNNELL. While Great Britain has about the same as it had at the beginning of the war; that is, she has built about what she has lost.

Mr. McKENZIE. I am not sure of the British figures.

Senator TUNNELL. I saw those figures some time ago.

Mr. McKENZIE. That is probably true.

Senator TUNNELL. But what to do with 54,000,000 tons of shipping is a problem for the whole United States.

Mr. McKENZIE. That is true.

Mr. HADDOCK. That will be before your body before very long. It is now before the Senate Commerce Committee and we hope our position will prevail there. We think we will have a good merchant marine if it does.

Senator TUNNELL. What is your thought on what will have to be done? The wages of men, the cost of equipment, the cost of food, and everything else, is greater in the United States than it is in many of the countries with whom we are in competition, or probably will be; what is your theory on how it can be met?

Mr. McKENZIE. That, of course, is an international question, but I think the first thing to be done is for the maritime nations to call a shipping conference and see that there is a proper allocation of trade routes, prevention of cutthroat rates, and so on, all over the world, and the tariff barriers so reduced that you have a free flow of commerce. We know that there is enough business throughout the world to keep our ships running for many years.

Senator TUNNELL. I think we registered our ships in Ecuador or Guatemala——

Mr. McKENZIE. Panama and Honduras. But after we put the pressure on and made them pay American wages, then they put them back under our flag. There were other cases where they registered ships to avoid paying certain taxes as called for by law, but that is a story all by itself.

Senator TUNNELL. It is bound to be a story, because we have too much shipping for domestic commerce.

Mr. McKENZIE. We have to depend on foreign commerce to keep our ships moving.

Senator TUNNELL. Either that or sell the ships.

Mr. McKENZIE. There is a contradiction there somewhere because if we sell them to somebody else, they would use them, and if they can use them, why not we?

Senator TUNNELL. Suppose you sell them to Great Britain or China, or some nation where the cost of operation would be less?

Mr. McKENZIE. Well, the answer to that is that we are going to find throughout the world that people all over are going to demand a higher living standard. That is what we fought this war for, and people in these countries are not forgetting it.

Senator TUNNELL. We will not get the Chinese living standard up much higher, will we?

Mr. McKENZIE. Sure we will.

Senator TUNNELL. Is their average wage not something like 30 cents a day?

Mr. McKENZIE. $80 a month for a Chinese seaman now.

Senator TUNNELL. Well, they don't have any ships now.

Mr. McKENZIE. Mr. Levine would like to make a statement.

Senator TUNNELL. Give your name, please.

Mr. LEVINE. Seth Levine.

Senator TUNNELL. All right.

Mr. LEVINE. During the war, Chinese seamen on British ships had their wages increased from $10 to $54 a month, which is comparable with the British standards. In fact, at the present time, and it will undoubtedly continue, all Chinese seamen on British ships are now on the same basis as the British themselves.

Senator TUNNELL. We were not asking about what the British paid to the Chinese.

Mr. LEVINE. I assure you they will force the Chinese merchant marine to pay the same if they get one.

Senator TUNNELL. Why did you say the wage rates were raised from $10?

Mr. LEVINE. Because Chinese coolies on British ships prior to the war were paid only $10 as compared to $54 for British seamen.

Senator TUNNELL. How much were they paid on the Chinese ships?

Mr. LEVINE. There was not any Chinese merchant marine.

Senator TUNNELL. At least, very little. I guess the Japs had about destroyed their merchant marine.

Mr. McKENZIE. The point in dealing with this question is that you have to understand, as borne out by Admiral Land's statement, that in all foreign nations the pay given merchant seamen in comparable to that paid shoreside industry, and it is not so in the case of the United States, and that is why we are hot.

Senator TUNNELL. Your statement of fact is that we are not paying in proportion to our economy, while the other nations are paying in proportion to what they are paying people on land?

Mr. McKENZIE. Absolutely. The seamen have benefits in some foreign countries that do not obtain here. They have lifetime pensions and what have you. An American seaman just goes in the trash heap.

Senator SMITH. To what extent does the Maritime Commission deal with the wage question?

Mr. McKENZIE. Well, at the present time, they are dealing with it in a fashion I do not like. For example, we are negotiating right now in collective bargaining, fighting for jobs, and we are trying to put on a proper manning scale, especially in the standards department,

and the Maritime Commission put out manning scales which are far below what we consider proper operation. The shipowners say: "We cannot bargain collectively on this issue because the Maritime Commission has set the following manning scale and we cannot go above that." So we see the Maritime Commission, and they say: "This is a manning scale which is a minimum and not a maximum and does not prevent the raising of that scale through collective bargaining." But the shipowners are obstinate on the basis it is a Government regulation, and they will not raise it above the scale set by the Maritime Commission. It happened recently that men refused to sail aboard those ships where the manning scale established by the Government was, we say, in violation of our collective-bargaining right. The War Labor Board told the shipowners that the question of the number of jobs aboard ship was to be negotiated between the union and the employer, so we finally settled that case once and for all. Then the Maritime Commission moved in, and they are acting as an intervener for the employers and are setting up these phony scales, and we may have to take strike action to force them up. The men won't sail the ships, and then the owners call a conference and throw a few "windies" about that it is going to cost. But there is a case in point, and they are doing nothing about it except to interfere at this point.

Senator TUNNELL. Are there any other questions? You say you have two other people who want to make statements?

Mr. McKENZIE. Yes; there are two people here. I would like to make one final comment on this whole situation, and that is that the maritime unions are fully aware of their economic and political power. We organized the seamen on the theory they were going to have the same rights as shoreside workers, and the basis and the background of all of the strikes you have had in the maritime industry for years past, after the last World War, from 1934 on, have been because of the refusal of the employers to recognize that seamen have the same rights as shoreside industry workers. We think it is about time the Government decided that question.

As you pointed out this morning, it is a question of statutes or strikes. This whole question is No. 1 in our postwar program, and we are going to mobilize all of our resources, economically and politically, to force the 65-cents-an-hour rate for the ships. In this respect we know we have prestige with the American people. We know something about political action and know the answers on strike strategy and tactics, and we are going to go all out on this question. We think it is the special responsibility of this committee to see we get proper treatment on this question, because otherwise you are going to have hell on the waterfront from here on in. If we are left out, then we are going to go after it the hard way. We think it is in the interest of our country that the Government step in and deal with these short-sighted employers and see that the seamen are given the same consideration as shoreside workers.

Senator ELLENDER. That is not a threat, but good advice?

Mr. McKENZIE. It is a statement of fact.

Senator ELLENDER. I predict, if that happens, then all ships will be tied up and someone else will get the business; because, as I said awhile ago, I have always understood that our own country could not establish a merchant marine and maintain it, because we could not compete with foreign shipping interests.

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INTENTIONAL SECOND EXPOSURE

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Mr. McKENZIE. That is a fallacy.

Senator ELLENDER. That is what you say; but I just happen to know a little different, because I voted for some appropriations here since I have been in Congress, in order to help our merchant marine. What was that subsidy we voted for, Senator Tunnell, in respect to the building of ships——

Senator TUNNELL. I think that was before I came to the Senate.

Senator ELLENDER. They planned to build 50 ships a year and sell them back to the operators at a sum about equal to what the operators could get the ships for abroad. I do not recall how much that cost the Government, but it was several hundred million dollars. Now, if we create a merchant marine with a capacity of 54,000,000 tons that we now have and the Government is forced to pay to the operators of ships the difference in the hourly or monthly pay between what Great Britain and France and the Scandinavian countries pay and us, in order to get our share of trade, I imagine it would cost probably as much as $500,000,000 or maybe $1,000,000,000 a year in subsidies.

Senator TUNNELL. Our shipping is now approximately five times what it was at the beginning of the war.

Senator SMITH. I think, Senator Ellender, that is a problem we will have to face as a matter of national policy.

Senator ELLENDER. Yes; but it is not as easy as the witness states.

Senator SMITH. I think the witness makes a good case—that there is no reason why the seamen on the boats should have to hold back because of that problem. I think they are in a strong position when they say a fellow workman on a boat should be compensated the same as one on shore, even though international competition is involved. However, I do not think you should strike but should try to solve it. Congress has a terrible load to carry, and we must consider whether we should tax our people more; and you should not threaten to strike on the thing——

Mr. McKENZIE. You just should not have that gap between people on ship and on shore.

Senator SMITH. I am sympathetic with your viewpoint, but I do not think you should go that far.

Senator ELLENDER. I would like these gentlemen to organize themselves into a group and let the Government give them 50 or 60 ships and let them operate them and see how they will come out.

Mr. McKENZIE. We will take that on.

Senator ELLENDER. Why don't you do that? Why not organize?

Senator SMITH. That would be much easier than a subsidy.

Senator ELLENDER. We would say, "Here they are, gentlemen; operate them." We would much rather do that than appropriate $500,000,000 up to $1,000,000,000 a year.

Mr. McKENZIE. If I were sure we could get the subsidies as quick as the shipowners, we could make a profit.

Senator ELLENDER. But you say you can operate without a subsidy.

Mr. McKENZIE. I did not say we could. I said I would not commit myself for the record as to specifying which lines should be subsidized, because we do not have a break-down of the profits made by employers. In other words, we should not tax the taxpayer with subsidies if the shipowners are making money.

Senator ELLENDER. You are questioning the statement that they are; and my answer to you is simply this—that I do not believe Congress would appropriate the money unless a case could be made.

Senator SMITH. If the Congress thought they made a profit, we would not give them a subsidy. In the Scandinavian countries they have cooperatives, and I think maybe the cooperative principle might be tried.

Senator ELLENDER. I would turn them over to you; that is what I would do.

Mr. McKENZIE. I give up. I come down here for 65 cents an hour, and now you give me the ships.

Senator ELLENDER. A lot of folks say we should pass the bill as written, but they do not think about others who are affected. I asked a lady witness and a priest who desired to include all farm labor: "Shall we put everybody under the umbrella?" I would like to help everybody, but the question is how. That is the point. As I have stated on many occasions, it is not that I would not cherish the idea of helping you boys; that is not the point. But when you have in Louisiana, Mississippi, Iowa, and California the schoolteachers that take care of your children and educate them, and they cannot go out and strike——

Mr. HADDOCK. They do it.

Senator ELLENDER. I never heard of them striking. They are dependent solely upon the tax dollar collected within the State, county, or city for their stipend.

The other day somebody presented a statement that showed, in 1870, 54 percent of the wage earners of our country were farmers; while today 56 percent run industry and the farms and the rest are employed in distributing what the farmers and industry produce. They are not covered in this bill. When you consider all of those who work in stores in Washington and throughout the country who are not covered by this bill——

Mr. McKENZIE. Are making more than 65 cents an hour.

Senator ELLENDER. Oh, no. You do not know the facts.

Mr. McKENZIE. The point is this, Senator: If you do not pay the workers decent wages, how are they going to buy the products that the factories manufacture? Who is going to pay the tariff on putting cargo in these ships? It is a vicious circle; you have to start somewhere. You give us the dough, and we will spend it quick; we will put it in circulation.

Senator ELLENDER. But you are providing for yourself by law as against the other fellow who is not protected at all.

Mr. McKENZIE. We do not like strikes any more than anybody else. We know it means a lot of broken heads.

Senator ELLENDER. As I understand your last statement, it is, "Give us this law or else we strike."

Mr. McKENZIE. It is not quite that simple. I pointed out that as long as you have a gap between seamen and people ashore, you are going to have trouble on the water front, and nothing you or I say can change the situation.

Senator ELLENDER. What will happen is simply this: We are not going to have a merchant marine; that is what will happen. We never had any in the past to amount to anything, just because the operators flying the American flag could not compete with foreign

ship operators, and the only way by which they can compete is for our Government to pay a subsidy.

Now, to operate at full blast and give you boys on the sea the same advantages as exist for shore workers, you could not any more operate the merchant marine than I could make gold out of sand. It is not in the cards; you just cannot do it.

Mr. McKENZIE. If we say we are in favor of subsidies that will take up the slack, you will vote for the 65 cents?

Senator ELLENDER. Where will you get the money? Someone has to pay for that. You are putting yourself in a class where you want to make the other fellow pay. You are putting burdens on other people.

Mr. McKENZIE. We are happy to pay taxes if we can afford to pay them.

Senator ELLENDER. There is a big howl now to pass the present tax bill and get 10,000,000 men from under who are complaining because they pay taxes.

Mr. HADDOCK. Mr. Chairman, just to get away from the question of subsidies, I would like for our research consultant to say a few words on it. This is a very broad question, and we are not prepared to go into it fully. Mr. McKenzie made a basic recommendation in answering Senator Ellender with respect to an international conference on this subject.

Mr. LEVINE. I would like to wait until Senator Ellender returns, because he has some misinformation which I would like to correct.

Senator ELLENDER. You may correct it for the record but not for me.

Mr. LEVINE. This country does not subsidize any of its domestic shipping, and that is more than half of its merchant fleet——

Senator ELLENDER. What do you mean by domestic shipping?

Mr. LEVINE. All coastal and intercoastal shipping.

Senator ELLENDER. That is within the United States?

Mr. LEVINE. Within the United States itself.

Senator ELLENDER. That is where operators are not in competition with foreign shippers?

Mr. LEVINE. They have problems. The railroads compete with them, and we are out to get an over-all program to enable shipping to live.

Now, insofar as our foreign commerce is concerned, not more than half of our ships are subsidized.

Senator ELLENDER. Why is that; why aren't they?

Mr. LEVINE. Because what you are paying subsidies for under the Merchant Marine Act is more than competition with foreign countries; you are paying a subsidy for a man to operate on a specific trade route to build up American commerce and not for the operation of ships alone. You are paying for him to run a ship on the same sea route, whether there are cargoes or not, because you want the American flag to fly in that port and because you want to have an agent there to encourage business between that country and America. The companies which do not take that commitment to sail consistently between particular ports but are allowed to tramp around and have great flexibility do not receive subsidies. Many companies take the position it is more profitable for them not to take these special commitments, and therefore they do not receive subsidies.

In your home port of New Orleans I think you have the Mississippi Shipping Co., which happens to be a subsidized line, but you have more unsubsidized than subsidized lines in foreign commerce.

Senator ELLENDER. Those ply between New Orleans and Florida.

Mr. LEVINE. No; those ply between New Orleans and Great Britain, South America, and the entire world. We do not subsidize our shipping solely for the benefit of American seamen. In fact, I think they should get more of the subsidy than they are getting.

Now, some facts about the actual cost of subsidies. The actual cost to the Government is limited by the recapture provision. The shipowner is allowed 10 percent of the capital invested but over and above 10 percent they have to turn the money back. On these 12 subsidized lines in the period 1936 to 1942, when subsidized operations were discontinued, after recapture your total susbidy is only about $35,000,000.

Senator ELLENDER. For how many ships?

Mr. LEVINE. Something like 155 vessels.

Senator ELLENDER. For a period of what time?

Mr. LEVINE. 1937 through 1942. For those 5 years I believe it was about $35,000,000. These companies made very large profits. It may not be so profitable in the postwar period, but your subsidy is terribly exaggerated in terms of public impression. The money we have expended in subsidies has come back to the United States in terms of having trained manpower, new ships, and great shipyards to prepare for this war. The $35,000,000 you expended on subsidies between 1937 and 1942 is nothing in comparison with the $17,000,000,000 which you expended in building a fleet during the war. It is true that the maritime unions are in favor of properly regulated subsidies. The Japanese, with a $18 wage scale, pay subsidies. We need to have an international conference and arrange rate schedules, fairness of competition, and to bring working standards everywhere up to a decent minimum, and then we will get away from subsidies.

Senator TUNNELL. If we are to have time to hear the rest of your testimony Mr. McKenzie, we should hear your additional witnesses now. You said you wanted to put two witnesses on for a few minutes.

Mr. McKENZIE. Yes.

Senator TUNNELL. Will you give your name?

Mr. SMITH. William C. Smith.

Senator TUNNELL. And your position?

Mr. SMITH. Special representative of the Pacific Coast Marine Firemen, Oilers, Water Tenders, and Wipers' Association, Independent.

TESTIMONY OF WILLIAM C. SMITH, SPECIAL REPRESENTATIVE, PACIFIC COAST MARINE FIREMEN, OILERS, WATER TENDERS, AND WIPERS' ASSOCIATION, INDEPENDENT

Mr. SMITH. Mr. Chairman and gentlemen, there are several points here that I think could be clarified a little bit. One, in particular, refers to the character of the seamen. Since the war began, our income has increased due to the bonuses that we have had. As a result, we are able to get a nicer, cleaner group of men on those ships and it has actually turned out to be a more efficient group. Now

that the war has stopped, most of them want to go home to their families, because they find they cannot make enough money on ships We do not want to lose those fellows.

There was a time in the merchant marine when the money paid to them was not enough for a decent man to rent a hotel room and get himself cleaned up in between trips, and it is almost that way now. So this 65 cents an hour minimum wage has to go through for us. These men who have started out to sea during the war are not going to stand for that differential between their job and a comparable job ashore, and it will reduce the efficiency of the merchant marine, and after all we are primarily interested in the efficiency of it.

Now, I would like to say a few words about the problem on the rivers, all of the rivers in the Central States. They are working a 12-hour day, 7 days a week, 6 hours on and 6 hours off. You do not even get proper sleep in 6 hours. Out of those 6 hours off they have to wash their faces and hands or take a shower, and eat their meals and prepare themselves for bed and get up and eat again possibly, if it is a watch where they eat twice in the same period, and then go back to work again. Those men have recently received an increase in wages, but up until just recently they were getting paid as low as 18 cents an hour. Skilled men such as deckhands were getting 42 cents an hour and they just received an increase recently that gives them a bare 55 cents. I went down there after a job on one of those ships, and I went aboard. They have women mess girls and women waitresses on those ships, and they are the filthiest characters you have ever seen, the kind of people you would not want to handle food.

Senator ELLENDER. Where are those ships operated?

Mr. SMITH. On the Mississippi River, the Ohio River, the Illinois River, the Missouri River; the Inland Waterways Corporation operates some of them.

Senator ELLENDER. That is under Government control, is it not?

Mr. SMITH. Yes, sir. If I am informed correctly, the equipment is owned by the Government but operated by a private corporation. I am not sure of that but I believe that is the way the thing is handled down there.

The class of people you get on those jobs at those wages just knocks the whole thing in the head. I would not take the job after I saw the food handlers and the men I would have to be shipmates with. I have been a merchant seaman for 13 years now.

Senator SMITH. You are speaking of the morale of the whole seafaring class?

Mr. SMITH. Yes, sir. I believe, if we are given 65 cents, along with the rest of the shore-side industry, I believe we can get a finer personnel on those ships.

Senator SMITH. You want to be equalized with the shore-siders?

Mr. SMITH. Yes, sir.

Senator SMITH. Do you think you can maintain in the shipping business anything like the number that have been in there during the war?

Mr. SMITH. No; I do not think we can keep anything near that number. I do not think anywhere near that number will care to go to sea. Most of them are going to sea just because of the wartime emergency.

Senator SMITH. And because they got special pay for it?

Mr. SMITH. That is right. But on the other hand there are a lot of youngsters that are developing into wonderful men and are better equipped to handle the work than many we have had before. They are smart kids, but they work for less than men get ashore, and you cannot expect them to continue.

I work in the engine department, and I will cite a case in the engine department. A fireman or a water tender is a highly skilled man with the complex mechanical machinery we have in ships today. As a matter of fact, the machinery is getting more and more complex. So a fireman-water tender is getting just 65 cents an hour. A stationary engineer ashore who does comparable work will range from $1.03 to $1.20 an hour in most localities. I believe there are some places where they pay a little less, but as a general rule it is from $1.03 to $1.20 an hour.

You take a man that can go ashore and take a job at 33⅓ percent more in wages, he certainly is not going to want a job on a ship. It is an important job and one that necessarily has to have a good, steady, dependable man, as he is handling high-pressure boilers that could kill somebody and blow up half a town.

Senator TUNNELL. You think those on the water should have comparable wages with those on the land?

Mr. SMITH. That is right. I think the merchant seamen should be included in this minimum wage bill.

I think that is about all I have.

Senator TUNNELL. Any questions? [No response.]

Where is your other man?

Mr. MCKENZIE. Coming up.

Senator TUNNELL. Give your name.

TESTIMONY OF SCIPIO COLLINS, SPECIAL REPRESENTATIVE OF THE MARINE COOKS AND STEWARDS ASSOCIATION OF THE PACIFIC CIO

Mr. COLLINS. Scipio Collins.

Senator TUNNELL. What is your work?

Mr. COLLINS. I am a waiter aboard transports. My salary is $132 a month, with the recent increase. I have here to show you why I believe we should have an increase. This is my last take-home pay [exhibiting].

Senator TUNNELL. How much is that an hour?

Mr. COLLINS. 55 cents. I drew $284.14 for a 2 months' trip, and my rent alone is $60 a month. Prices have not come down with wages. During the war I was able to get along, with the bonuses, but now I find it difficult.

Senator TUNNELL. You mean where your family lives?

Mr. COLLINS. Yes. I feel as though we should be given this increase so we can maintain our home. I was not able to marry before the war, but I got married during the war.

Senator TUNNELL. Where is your home?

Mr. COLLINS. I am making my home in New York now.

Senator ELLENDER. How much were you getting before the war?

Mr. COLLINS. $55 a month.

Senator ELLENDER. What is the extra pay that the witness said seamen were getting, amounting to $80?

Mr. COLLINS. That was the war bonus.

Senator ELLENDER. Was that during the war?

Mr. COLLINS. Yes. It started right after we went into the war.

Senator ELLENDER. Then, when the witness testified a moment ago that the rate of pay before the war was different, he said it was plus the bonus, the bonus did not come into being until when the war started?

Mr. COLLINS. That is right.

Senator ELLENDER. I see.

Mr. COLLINS. Brother McKenzie has elaborated on everything I would like to say.

Senator SMITH. Are you a member of a union?

Mr. COLLINS. Yes; the Marine Cooks and Stewards of the Pacific Coast affiliated with the CIO.

Senator TUNNELL. Cooks and stewards?

Mr. COLLINS. Yes; we handle all of the food on ships.

Senator ELLENDER. How do they feed you on ships?

Mr. COLLINS. The best that can be expected.

Senator TUNNELL. "How do you feed the rest of them?" should be the question.

Senator ELLENDER. I believe the waiter takes care of himself; he looks mighty fat and in good health.

Mr. COLLINS. My wife has fattened me up since I have been home.

Senator ELLENDER. I see. I suspected you would have an answer for it.

Senator TUNNELL. I think that covers it.

Senator SMITH. I think so.

Mr. MCKENZIE. In connection with the statement I have made, you can check with the records of the War Shipping Administration——

Senator ELLENDER. The reason I asked the question again was because we had a witness who lived at Baltimore and he said that his per-month pay before the war was, I think, $65 or $70, and that he got a bonus during the war. Now, the question I asked awhile ago was, as I understood it, if you were getting that all along.

Mr. MCKENZIE. I negotiated those contracts, so I know they were there.

Senator ELLENDER. But they were given during the war?

Mr. MCKENZIE. Yes, and prior to the war, too.

Senator ELLENDER. I remember asking the question, and he said he did not want to lose his bonus.

Mr. MCKENZIE. That is right.

(The statement and data submitted by Mr. McKenzie are as appear in the appendix.)

Senator TUNNELL. The committee will adjourn until Thursday morning at 10 o'clock.

(Thereupon, at 4:45 p. m., an adjournment was taken until Thursday, October 18, 1945, at 10 a. m.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

THURSDAY, OCTOBER 18, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424–B, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator ELLENDER. Mr. Chairman, for the record, I received this morning a statement in the form of a petition from the Louisiana Syrup Association, and I would like to have that incorporated in the record if and when it is printed.

Senator TUNNELL. All right.

Is Mr. Foreman here?

(No response.)

Senator TUNNELL. Is Mr. Mitchell here?

Mr. MITCHELL. Yes, sir.

Senator TUNNELL. All right, Mr. Mitchell, you are next in line.

TESTIMONY OF BROADUS MITCHELL, RESEARCH DIRECTOR, INTERNATIONAL LADIES' GARMENT WORKERS' UNION, NEW YORK, N. Y.

Senator TUNNELL. Will you give your full name and position?

Mr. MITCHELL. Broadus Mitchell. I am research director of the International Ladies' Garment Workers' Union, 1710 Broadway, New York.

Senator TUNNELL. All right. Now proceed in your own way.

Mr. MITCHELL. The committee will have heard a great many statistics for and against the proposal for raising the minimum wage under the Fair Labor Standards Act to 65 cents an hour. The International Ladies' Garment Workers' Union in favoring this legislation does not propose to burden you with a rehearsal of familiar figures. Instead, we may be of service to the committee by recalling a part of history which bears directly on the important question you are considering.

Far and away, the chief economic development of our time is the change from scarcity to abundance. The fear of starvation which plagued mankind for countless centuries has changed within the last generation or two to the fear of surplus. This tremendous increase in the efficiency of production demands a change in economic thought. The so-called economic laws which were appropriate when we had

meager output no longer apply when we have called science and discovery to our assistance. Yet our economic ideas written into the books and sanctioned by tradition are revised only reluctantly. We still have too largely a body of economic thought which was prompted by scarcity. We need to embrace modern economic principles which belong to an economy of surplus.

The committee will permit me to recall a major episode in the intellectual history of the last century. The English masters of economic thought, fearing that population would outrun the food supply, groped toward a rule of wages which was clearly expressed by about 1825. You may remember the belief was that workers could not, as a class, permanently improve their standard of living. This was because there was only so much of economic capital set aside to be paid in wages. You arrived at the average wage by dividing the number of workers into this so-called wage fund. If the number of workers was temporarily small, the average wage might increase, but only for a short time, because then the birth rate would be stimulated, more children would reach maturity, the number of workers to be divided into this wage fund would be greater, and the average wage would fall. Similarly, there was no use for workers to form labor unions because, if one group of workers, through this means, succeeded in getting more for themselves, it simply meant less was left for others. This dismal doctrine held sway for about 50 years. Its best known advocate was the distinguished economic and political philosopher, John Stuart Mill, who was the teacher of Parliament and public. It was unquestioned that wages and profits were antithetical. They were like buckets in a well. If wages went up, profits went down; and the way to increase profits was to reduce wages. Since capital was held to be more essential to social progress, capital must be encouraged and conserved, and as little as possible dissipated in payments to workers. Wages, it was believed, were paid from capital. The relation between wages and profits was cut and dried, susceptible of very arithmetical demonstration. If workers got more, unless their numbers were diminished, it was self-evident that proprietors would get less, the accumulation of capital would be retarded, and the future of society would suffer.

About 1870 came a startling new view. Some practical men who had observed the workings of labor legislation and trade-unionism brought forward inescapable arguments against the old doctrine of wages. They saw that the standard of living of workers was improving; that unions were springing up on every hand, and were securing more for greater numbers of workers; that millions of immigrants could pour into a country like ours without more than temporarily threatening the level of wages. They urged their objections with such effect that even a man like John Stuart Mills recanted his old dogma and acknowledged that he had been mistaken for 50 years. Thus, it was nearly three-fourths of a century ago that able economists perceived a sympathic relation between wages of labor and profits of enterprise. They saw that the two could increase together. The prospect of a rising standard of living opened before the world. Our economic life was seen as dynamic—not static. It was no longer viewed as a pussy-in-the-corner game in which the safety of one was bound to be the peril of another; all could prosper together.

It is essential to recognize that the American economy particularly

is flexible, susceptible of enormous beneficial changes. When statutory minimum wages were proposed in this country, many were laboring under the incubus of out-moded economic ideas. They wondered whether the industry of America could afford to pay minimum wages sufficient to support workers in merest decency. Budgets were drawn up to determine what would be necessary in food, clothing, shelter and a modicum of education and recreation to sustain workers in health. These budgets were very narrowly inspected, and all that could be omitted was dispensed with. They applied only to women workers. Economic objections to these budgets were reinforced by legal hostility so that the statutory minimum wage was for years suspended. Since then, we have moved forward in experience and thought. Instead of drawing up a budget which will enable the individual worker to exist, we realize the importance of a minimum wage high enough to permit the entire economy to function. We no longer talk about the number of calories, the allowance for laundry, the item for room rent, the pennies for newspaper, and so forth which make up the minimum requirement every week for the individual employee. We have shifted our emphasis from the problem of consumption to that of production. We are wondering how much purchasing power will be necessary to achieve and maintain full employment. We have come from individual health to social health. The true concern of lawmakers in establishing a minimum wage is not only the security of the workers immediately affected, but also the well-being of the entire economy. In minimum wage legislation, we have passed from the limited authority of the state to the national responsibility of Congress.

Much of this change in purpose has come since the 40-cent minimum was established in the Fair Labor Standards Act. At that time, the clients were workers immediately affected. In the few years since then, taught by wartime miracles of production, we have learned the imperative importance of enlarging the general buying power.

I am pleading here for fairness to those who receive less among American workers; but I am pleading no less for fairness to the owners of American industry. Large purchasing power is the means by which our productive system can operate effectively. Mr. William H. Davis, recently director of the Office of Economic Stabilization, gave a press interview reported in the newspapers of September 5, 1945, in which, according to reports, he declared that real wages may be markedly increased, that is, money wages of workers may be raised without raising the cost of living or the general price level. This a modern and an enlightened view, all the more noteworthy because it was expressed by a public officer who for several years, under the stress of war conditions, was charged with the responsibility of restricting wage advances. The end of the war meant that an eager new consumer market must be substituted for the enormous demand that had previously existed. This demand, Mr. Davis proposed to furnish through additional buying power of American workers. Mr. Davis' doctrine was soon rejected by the President of the United States and the Secretary of Labor, and Mr. Davis was rebuked. I want to tell you that in my judgment Mr. Davis was right and his critics were and are wrong. I do not say this because I now have the honor to speak in the name of a great labor union; I say it as an economist who is in duty-bound to regard the welfare of the American people.

A study by the Brookings Institution, published in 1940, indicates that in general, output per man-hour increased in the 1930's more rapidly than total output of goods with a resultant decline in employment. Labor's gains from increased productivity were merely in the form of leisure; for, although the hourly rates of pay increased, weekly wages were lowered by shortening the workweek. The failure of production to increase as man,hour productivity increased resulted in slack employment and partial utilization of plant capacity. The potential benefits of increased efficiency have not been fully realized by either labor or capital. In other words, our increasing skill to turn out larger quantities of goods and services has to a consiberable extent been nullified. The possibilities have not fully materialized in national income.

In order to insure that output will expand as workers' productivity increases, it is necessary to pay labor a wage sufficient to maintain a level of purchasing power and consumption conducive to full production. Our return to a civilian economy has entailed losses in overtime and various bonus payments in addition to loss of jobs. Unemployment has risen and may continue to rise to still greater proportions. To compensate for these losses entailed by reconversion and maintain the purchasing power of our working population, we have to decide now between raising wages, and public spending on relief, public works, and so forth.

Today there is discussion about our national debt and its reduction. It seems wiser to limit our national debt by avoiding public spending on relief and public works, and to sustain purchasing power through an adequate minimum wage so that we will not suffer another depression with its loss of national income.

Average hourly earnings in the major branches of the women's apparel industry are already far above the proposed minimum as can be seen in table I. (See p. 584.) The highest-paid workers, those in the women's coat, suit, and dress industries, receive average hourly earnings of $1.56 and $1.14, respectively, and constitute 71.9 percent (an overwhelming majority) of the total employed in our industry. The lowest-paid workers—those in the cotton dress, uniform and apron industry—receiving 67.4 cents per hour, comprise only 18.7 percent of the total employment in the women's apparel industry.

The majority of garment workers are organized in the International Ladies' Garment Workers' Union, which has a membership of over 300,000. Examination of our prevailing union wage rates reveals that most wage scales are much higher than 65 cents, so that wage adjustments which may be necessitated by the proposed 65-cent minimum are small. In New York City, where a majority of apparel workers are located, the guaranteed union minimum hourly rates in the dress industry range from 67 cents to $1.57, depending on craft. In the cloak industry in New York City, basic union rates range from 85 cents to $1.82 an hour depending on craft. Since the majority of apparel workers earn above 65 cents an hour, it follows that compensatory wage increases necessitated by wage differentials will be relatively small. The payment of less than 65 cents an hour to garment workers today (considering the small number involved) perpetuates labor conditions which constitute an unfair method of competition.

Labor is but one item in the price of the finished product. In the women's-apparel industry the percentage of wages to total value of product is comparatively small, varying from 14 percent in some branches to 20 percent in other branches as shown in table II. (See p. 584.) Improving equipment and plant efficiency can offset wage increases. The business acumen of management, its ability to stimulate and forecast consumer demand, are far more important factors than wage rates in determining the margin of profits in the women's-apparel industry. Moreover, the adjustments following on higher wage rates can be made without affecting the quality of the product. It is interesting to note that despite the rising level of wages from 1929 to 1939, the unit price per garment has declined as a whole over the period.

The data on prices and wages presented thus far show that a 65-cent minimum is necessary to prevent unfair competition, will not curtail employment, and will have but little effect on the wage structure in the women's-apparel industry. This is also borne out by actual experience with minimum wages under various State laws, the NRA codes, and the Fair Labor Standards Act.

If minimum wage legislation in the several States had a detrimental effect on industry, there would have been a migration of plants to areas without minimum wage laws or displacement of women and minors by workers to whom wage orders did not apply.

Summarizing the experience with State minimum wage legislation, the United States Department of Labor comments significantly:

> In regard to women's employment, the usual experience has been that it continues to increase regardless of whether or not there is minimum-wage legislation, and in the State where the highest minimum was maintained over a long period of years women's employment increased considerably more than in the country as a whole. The constant changes in employment that are occurring are attributable to many factors not connected with the minimum wage and there is no evidence that such legislation has any general or controlling effect toward inducing the replacement of women by men.

Similar experiences in the apparel industry with minimum-wage orders are recorded for Rhode Island, Illinois, and New Jersey.

The introduction of minimum wage scales under the NRA codes did not limit employment or sales in our industry. While there were increases of 34.4 to 53.7 percent in wages paid in various branches of the garment industry, employment simultaneously increased from 2.4 to 18.5 percent. Over the 2-year period of 1933 to 1935, pay rolls in the women's-garment industry increased 62.5 percent, while employment increased 36 percent. Between 1933 and 1934, department-store sales in the various branches of women's apparel rose from 3 to 31 percent.

Data on employment and pay rolls in the women's apparel industry demonstrate that the FLSA had no injurious effect on the industry. As can be seen in table III, there were no over-all significant changes in either employment or pay rolls. Table IV shows that department-store sales of women's apparel increases. (See p. 585.)

From March 1940 to March 1941 some plants in the industry registered increases in employment while others showed declines, with no correlation between declines in employment and wage increases being shown (tables V through XI). Both high- and low-wage plants increased their employment of workers. The reverse is also true. In several instances, firms in the lower wage brackets which registered the largest wage bill increases also recorded the greatest gains in

employment. The lack of correlation between declines in employment and wage increases and wage levels is sufficient indication that increasing minimum wage rates do not lead to curtailment of employment.

Experience with state minimum wage legislation, the NRA, and the FLSA shows that employment is not curtailed when minimum wage rates are introduced or increased. In our industry the total increment in the wage bill will be small and can easily be absorbed by improved plant operation. Increasing the minimum to 65 cents is necessary at the present time to eliminate unfair methods of competition, and will not curtail employment.

(Tables I to XI, inclusive, submitted by Mr. Mitchell are as follows:)

TABLE I.—*Women's apparel industry—average hourly earnings by branch of industry United States, 1944*

Branch of industry	Average hourly earnings	Percentage of total employment [1]
	Cents	*Percent*
Corsets and allied garments	73.0	[2]
Knitted outerwear	74.1	[2]
Women's coats and suits	156.4	21.9
Dresses (other than cotton)	114.3	50.0
Cotton garments	67.4	[3] 18.7
Women's garments (not elsewhere classified)	78.3	[2]

[1] Figures computed from U. S. Census of Manufactures, 1939.
[2] Not computed owing to small percentage involved.
[3] House dresses, aprons, and uniform.

Source: U. S. Bureau of Labor Statistics, monthly releases and special tabulations; U. S. Bureau of the Census, Census of Manufactures, 1939.

TABLE II.—*Wages as percentages of value of product* [1]

Branch of industry	Percentage
Women's and misses' outerwear	20.1
Women's and children's and infants' underwear and nightwear	17.2
Women's neckwear and scarfs	14.0
Children's and infants' outerwear	19.9

[1] Computed by ILGWU Research Department.

Source: U. S. Bureau of the Census, Census of Manufactures, 1939.

TABLE III.—*Employment and pay rolls—several branches women's garment industry United States, first 3 months, 1938–41*

[January 1937=100]

Year	Employment			Pay rolls		
	January	February	March	January	February	March
Corsets and allied garments:						
1938	96.7	99.0	99.7	89.6	100.9	106.6
1939	100.5	103.0	104.5	106.0	113.8	116.6
1940	109.7	109.8	110.4	111.8	117.9	119.5
1941	106.5	108.8	112.1	115.6	126.5	133.2
Cotton garments:						
1938	82.3	91.2	93.9	83.1	96.0	101.6
1939	84.1	88.0	90.9	91.5	100.3	104.4
1940	82.6	87.9	91.2	92.3	97.1	108.4
1941	82.8	87.6	92.3	97.7	112.4	119.0
Dresses (other than cotton):						
1938	83.8	93.8	93.5	73.0	92.9	91.6
1939	82.4	88.6	92.3	76.5	92.0	95.8
1940	83.5	89.0	93.6	77.5	91.6	99.8
1941	77.3	82.7	83.7	76.5	90.3	90.8
Women's clothing n. e. c: [1]						
1938	82.8	90.4	92.3	75.8	91.7	94.6
1939	82.8	90.5	93.2	81.5	96.2	103.2
1940	86.2	94.5	96.1	91.3	106.3	114.8
1941	90.4	96.1	99.2	103.5	119.7	129.0

[1] Not elsewhere classified.

Source: U. S. Bureau of Labor Statistics—Corsets and allied garments: Employment and pay rolls, monthly releases; all others; special tabulations.

TABLE IV.—*Department and Specialty Store Sales, Several Items of Women's Apparel, United States 1938–40*

[1938=100]

	1938	1939	1940
Aprons, house dresses, and uniforms	100	106	112
Corsets and brassieres	100	104	107
Dresses	100	106	111
Girls' wear	100	105	113
Infants' wear	100	103	112
Neckwear and scarfs	100	103	110
Negligees and robes	100	109	116
Silk and muslin underwear	100	104	109

Source: National Retail Dry Goods Association, Controllers' Congress, 1939 Departmental Merchandising and Operating Results of Department Stores and Specialty Stores, p. 62, (data for 1938 and 1939; 1940 data computed by Research Department, ILGWU, from releases issued by Federal Reserve banks.

TABLE V.—*Women's Cotton Clothing Industry:* [1] *Employment and Average Hourly Earnings, Identical Establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
22.5 to 32.4 cents	6	535	531	−0.7	31.6	36.2	+14.56
32.5 to 34.9 cents	8	1,159	1,323	+14.2	33.6	39.1	+16.37
35.0 to 37.4 cents	22	2,369	2,274	−4.0	36.4	40.4	+10.99
37.5 to 39.9 cents	18	2,899	3,083	+6.3	38.7	41.9	+8.27
40.0 to 42.4 cents	31	3,941	3,837	−2.6	40.8	43.0	+5.39
42.5 to 44 9 cents	14	1,762	1,893	+7.4	43.3	49.6	+14.55
45.0 to 47.4 cents	9	1,019	1,050	+3.0	45.6	48.7	+6.80
47.5 to 49.9 cents	11	1,235	1,260	+2.0	48.8	52.8	+8.20
50.0 to 54.9 cents	4	264	271	+3.0	54.0	49.6	−8.15
55.0 to 59.9 cents	4	171	174	+1.8	57.6	51.5	−10.59
60.6 to 74.9 cents [2]	5	130	166	+27.7	61.6	59.3	−3.73
75.0 to 92.4 cents	4	245	267	+9.0	89.4	80.5	−9.96
All plants	136	15,728	16,129	−2.5	41.2	44.7	+8.50

[1] Includes house dresses, uniforms, and aprons and women's, children's, and infants' underwear and nightwear.
[2] No plants in 65.0- to 74.9-cent interval.

Source: U. S. Bureau of Labor Statistics, special tabulations.

TABLE VI.—*Knitted outerwear industry: Employment and average hourly earnings, identical establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
32.5 to 34.9 cents	6	224	276	+23.2	33.4	38.1	+14.1
35.0 to 37.4 cents	9	492	590	+20.0	36.5	41.3	+13.2
37.5 to 39.9 cents	13	944	1,085	+15.0	38.4	39.9	+4.0
40.0 to 42.4 cents	20	1,319	1,410	+6.9	41.4	42.1	+1.7
42.5 to 44.9 cents	21	1,918	1,945	+1.4	43.3	47.3	+9.2
45.0 to 47.4 cents	20	1,826	1,838	+0.7	46.0	47.7	+3.4
47.5 to 49.9 cents	15	1,215	1,183	−2.6	48.7	51.6	+6.0
50.0 to 52.4 cents	17	1,041	1,094	+5.1	51.4	51.7	+0.6
52.5 to 54.9 cents	19	1,127	1,367	+21.3	53.8	53.6	−0.4
55.0 to 57.4 cents	7	989	958	−3.1	56.8	58.9	+3.7
57.5 to 59.9 cents	5	245	224	−8.6	58.2	60.0	+3.1
60.0 to 62.4 cents	10	602	742	+23.3	61.8	56.1	−9.2
62.5 to 64.9 cents	3	135	121	−10.4	63.3	61.1	−3.5
65.0 to 67.4 cents	3	105	103	−1.9	65.6	69.9	+6.6
67.5 to 69.9 cents	3	172	191	+11.0	68.3	65.9	−3.5
70.0 to 72.4 cents							
72.5 to 89.9 cents	3	49	29	−40.8	79.5	74.4	−6.4
All plants	174	12,403	13,156	+6.1	47.8	49.1	+2.7

Source: U. S. Bureau of Labor Statistics, special tabulation.

TABLE VII.—*Knitted underwear industry: Employment and average hourly earnings, identical establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
30.0 to 32.4 cents	9	1,200	1,210	−0.8	31.0	36.1	+16.5
32.5 to 34.9 cents	9	2,705	2,993	+10.6	33.8	37.0	−9.5
35.0 to 37.4 cents	14	3,723	4,007	+7.6	36.5	39.5	+8.2
37.5 to 39.9 cents	23	5,013	5,218	+4.1	39.1	41.2	+5.4
40.0 to 42.4 cents	17	5,094	5,181	+1.7	41.5	44.4	+7.0
42.5 to 44.9 cents	11	5,391	4,934	−8.5	43.4	46.3	+6.7
45.0 to 47.4 cents	13	2,829	2,948	+4.2	46.1	47.6	+3.3
47.5 to 49.9 cents	11	2,660	2,599	−2.3	48.5	49.0	+1.0
50.0 to 52.4 cents	4	663	720	+8.6	50.5	52.4	+3.8
52.5 to 54.9 cents	6	2,505	2,589	+3.4	53.1	52.4	−1.3
55.0 to 77.4 cents	6	632	628	−0.6	56.6	58.3	+3.0
All plants	123	32,415	33,027	+1.9	42.1	44.4	+5.5

Source: U. S. Bureau of Labor Statistics, special tabulation.

TABLE VIII.—*Women's clothing industry: (not elsewhere classified)* [1] *employment and average hourly earnings, identical establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
25.0 to 32.4 cents	9	801	865	+8.0	31.6	35.9	+13.6
32.5 to 34.9 cents	10	733	645	−12.0	34.1	40.9	+19.9
35.0 to 37.4 cents	18	3,190	3,456	+8.3	36.0	39.8	+10.6
37.5 to 39.9 cents	12	1,065	989	−52.1	38.6	42.3	+9.6
40.0 to 42.4 cents	22	2,032	2,320	+14.2	41.5	43.8	+5.5
42.5 to 44.9 cents	15	3,551	3,417	−3.8	43.1	46.3	+7.4
45.0 to 47.4 cents	13	2,077	2,388	+15.0	46.7	49.3	+5.6
47.5 to 49.9 cents	9	406	452	+11.3	48.4	49.3	+1.9
50.0 to 52.4 cents	4	241	249	+3.3	51.5	53.3	+3.5
52.5 to 54.9 cents	4	441	497	+12.7	53.5	55.4	+3.6
55.0 to 57.4 cents	5	231	227	−1.7	56.6	61.5	+8.7
57.5 to 59.9 cents	3	190	194	+2.1	58.8	67.5	+14.8
60.0 to 62.4 cents	4	223	206	−7.6	60.7	62.8	+3.5
62.5 to 64.9 cents	3	107	112	+4.7	63.3	63.1	−.3
65.0 to 67.4 cents	6	338	355	+5.0	66.9	70.1	+4.8
67.5 to 79.9 cents	4	192	204	+6.3	74.5	75.7	+1.6
80.0 to 94.4 cents	4	209	201	−3.8	90.7	86.5	−4.6
95.5 to 112.4 cents	4	84	118	−40.5	104.2	98.5	−5.5
All plants	149	16,111	16,895	+4.9	43.5	46.8	+7.

[1] Includes neckwear, blouses, raincoats, bathing suits, and underwear other than knitted.

Source: U. S. Bureau of Labor Statistics, special tabulations.

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TABLE IX.—*Corsets and allied garments industry: employment and average hourly earnings, identical establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
32.5 to 39.9 cents	8	1,905	2,033	+6.7	35.7	43.0	+20.45
40.0 to 42.4 cents	4	561	516	−8.0	40.6	42.5	+4.68
42.5 to 44.9 cents	7	785	722	−8.0	43.9	44.9	+2.28
45.0 to 47.4 cents	7	1,089	1,092	+0.3	45.7	47.5	+3.94
47.5 to 49.9 cents	7	2,657	2,789	+5.0	48.7	49.5	+1.64
50.0 to 54.9 cents	5	2,323	2,226	−4.2	51.3	53.1	+3.51
55.0 to 67.4 cents	4	762	741	−2.8	59.7	62.9	+5.36
All plants	42	10,082	10,119	+0.4	46.5	49.2	+5.81

Source: U. S. Bureau of Labor Statistics, special tabulations.

TABLE X.—*Women's coats, suits, and separate skirts industry: employment and average hourly earnings, identical establishments, United States, March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
35.0 to 54.9 cents	4	371	391	+5.4	37.9	41.6	+9.8
55.0 to 64.9 cents	4	801	767	−4.2	62.1	64.5	+3.9
65.0 to 67.4 cents	3	250	283	+13.2	66.2	70.6	+6.6
67.5 to 74.9 cents	5	213	197	−7.5	70.9	80.0	+12.8
75.0 to 77.4 cents	3	423	445	+5.2	77.1	76.8	−.4
77.5 to 84.9 cents	3	166	192	+15.7	82.1	80.2	−2.3
85.0 to 87.4 cents	5	562	547	−2.7	85.4	83.8	−1.9
87.5 to 94.9 cents	5	266	330	+24.1	91.4	95.6	+4.6
95.0 to 97.4 cents	3	131	167	+27.5	96.9	95.1	−1.9
97.5 to 99.9 cents	3	216	250	+15.7	98.9	97.3	−1.6
100.0 to 104.9 cents	4	72	74	+2.8	102.1	99.5	−2.5
105.0 to 109.9 cents	4	139	144	+3.6	107.2	117.9	+10.0
110.0 to 112.4 cents	4	212	208	−2.0	110.7	101.9	−7.9
112.5 to 114.9 cents	4	155	165	+6.5	114.0	112.4	−1.4
115.0 to 119.9 cents	5	242	253	+4.5	118.0	132.5	+12.3
120.0 to 124.9 cents	5	124	133	+7.3	122.5	141.3	+15.3
125.0 to 127.4 cents	3	161	157	−2.5	126.2	119.2	−5.5
127.5 to 129.9 cents	5	86	84	−2.3	128.5	122.5	−4.7
130.0 to 134.9 cents	5	187	201	+7.5	132.7	138.2	+4.1
135.0 to 137.4 cents	3	174	181	+4.0	136.8	141.4	+3.4
137.5 to 139.9 cents	3	106	106	0	138.6	139.7	+.8
140.0 to 144.9 cents	3	146	150	+2.7	143.8	138.1	−4.0
145.0 to 149.9 cents	4	112	108	−3.6	148.2	138.3	−6.7
150.0 to 154.9 cents	7	287	266	−7.3	149.7	158.0	+5.5
155.0 to 159.9 cents	3	163	168	+3.1	156.8	151.9	−3.1
160.0 to 167.4 cents	4	158	164	+3.8	172.9	159.9	−7.5
167.5 to 174.9 cents							
175.0 to 182.4 cents	3	108	95	−12.0	207.5	137.1	−33.9
182.5 to 249.9 cents							
All plants	107	6,031	6,226	+3.2	97.4	98.7	+1.3

Source: U. S. Bureau of Labor Statistics, special tabulations.

TABLE XI.—*Women's dress industry (other than cotton)—employment and average hourly earnings identical establishments—United States March 1940 and March 1941*

Average hourly earnings interval, March 1940	Number of plants	Number of wage earners			Average hourly earnings		
		March 1940	March 1941	Percent change	March 1940	March 1941	Percent change
					Cents	*Cents*	
32.5 to 39.9 cents	4	270	265	−1.9	35.8	40.4	+12.8
40.0 to 44.9 cents	4	866	911	+5.2	40.6	45.4	+11.8
45.0 to 49.9 cents	6	856	815	−4.8	46.5	49.6	+6.7
50.0 to 54.9 cents	5	588	545	−7.3	52.5	57.1	+8.8
55.0 to 57.4 cents	3	152	200	+31.6	56.9	66.7	+17.2
57.5 to 59.9 cents	4	203	174	−14.3	58.7	69.9	+19.1
60.0 to 64.9 cents	10	814	782	−3.9	61.9	63.1	+1.9
65.0 to 67.4 cents	6	388	380	−2.1	66.6	73.1	+9.8
67.5 to 69.9 cents	6	304	317	+4.3	68.5	67.9	−.9
70.0 to 72.4 cents	6	207	215	+3.9	70.6	72.3	+2.4
72.5 to 74.9 cents	4	373	307	−17.4	74.1	75.1	+1.3
75.0 to 77.4 cents	6	375	337	−10.1	75.8	73.6	−2.9
77.5 to 79.9 cents	3	244	261	+7.0	78.3	70.9	−9.5
80.0 to 84.9 cents	6	230	233	+1.3	83.8	85.9	+2.5
85.0 to 87.4 cents	8	421	397	−5.7	85.9	85.3	−.7
87.5 to 89.9 cents	4	142	139	−2.1	88.7	83.6	−5.7
90.0 to 92.4 cents	5	201	196	−2.5	91.0	90.8	−.2
92.5 to 94.9 cents	3	201	169	−15.9	93.3	96.0	+2.9
95.0 to 97.4 cents	8	251	224	−10.8	96.2	75.8	−21.2
97.5 to 99.9 cents	9	387	375	−3.1	97.7	99.4	+1.7
100.0 to 104.9 cents	6	669	672	+.4	101.3	107.1	+5.7
105.0 to 107.4 cents	8	398	297	−25.4	106.0	103.2	−2.6
107.5 to 109.9 cents	3	87	83	−4.6	109.0	97.6	−10.5
110.0 to 114.9 cents	5	204	199	−2.5	110.9	111.0	+.1
115.0 to 124.9 cents	3	206	203	−1.5	119.0	114.8	+3.5
125.0 to 134.9 cents	3	86	101	+17.4	130.1	124.7	−4.2
All plants	138	9,123	8,797	−3.6	71.6	72.7	+1.5

Source: U. S. Bureau of Labor Statistics, special tabulations.

Mr. MITCHELL. Now, I would like to make some remarks which need or need not be taken down. In part they will duplicate what I have said in my statement——

Senator TUNNELL. I do not see how we can take up more than half an hour.

Mr. MITCHELL. I will not do that in any case, but I would like to try to summarize it briefly for the committee.

Senator TUNNELL. All right.

Mr. MITCHELL. Many people will have brought to you full figures on the importance of raising statutory minimum wages, and I will not burden you with additional ones, except as they apply to our industry, the women's apparel industry.

Perhaps the best thing I can do, if it would help the committee, is to try to put this kind of proposal in its setting, and I make no apology in going back into our economic and intellectual history a century in order to show where, it seems to me, this fits.

Sometimes those who have come out of academic environments are accused of being impractical and a little beside the point; as a matter of fact we are often a little more in the groove than we are given credit for, I think.

The earliest doctrine of wages that was held by classical economists was that of the subsistence wage. The reason it never got beyond the notion of subsistence was that the early economists were plagued with the notion of dearth.

This was the specter that was chasing mankind constantly. So it destroyed the hope of economists at that time; and of men like Malthus, for example, who was a clergyman, and in every way a warm

personality, and yet was the dreariest of economists, because he was convinced that population would outrun the food supply, and therefore all of the ills of mankind were really blessings from Heaven in disguise.

Senator TUNNELL. He did not want a great increase in population.

Mr. MITCHELL. No; he was afraid and he was certain that population constantly tended to increase faster than the means of subsistence, and that consequently war, disease, crime, and vice were measures of providence to prevent population from outrunning the food supply. Indeed, that if society were able to rid itself temporarily of these ills, it would only mean they would reappear in the form of insufficient food, starvation, and so on; in other words that a permanent improvement in standard of living was impossible.

Now, this notion became hardened into a rule of wages known as the wage fund doctrine which prevailed in both English and American thought from the period from 1825 to 1875.

The middle of the last century, then, was beset with the conviction that it was impossible for workers to improve their condition; it was no longer the equation of food and population; it had altered a little. It was what capitalists were prepared to set aside for the payment of wages as compared with the working population; but essentially it was the old balance. But they were now sure that the only way to increase the average wage was by increasing this wage fund, which would take a long period, or by decreasing the population.

Senator TUNNELL. Anything that would decrease the working population would be helpful; smallpox, for instance.

Mr. MITCHELL. That is right. Incidentally, they scouted the idea of birth control. That was immoral. But a great many social ills were tolerated since, as you suggest, they kept the population within check. This meant there was no elasticity in the economic system. It was an arithmetical calculation and anybody could forecast economic developments in the measurable future.

The man who represented this view more than others was the great economic and political philosopher and logician, John Stewart Mill, who gave intellectual impulse to the social sciences during the century. He was convinced of it. He got it from his father, and his father had got it from Ricardo, and Ricardo had gotten it from Delavigne, and Delavigne had gotten it from Adam Smith. It was a most acceptable and demonstrable view.

Then, about 1870, something happened. The industrial revolution had begun to show its results: production had enormously mounted, and some practical men observed that this doctrine, that if wages increased, profits must suffer—could not hold.

For one thing, labor unions were succeeding all along the line. It had been said before that if a union got more for its group of workers, it simply meant that less remained for some other group.

Now it was being shown that many groups were deriving benefit. Furthermore, it was shown that a country like ours could receive enormous increments in immigration, and at the same time enjoy rising standards of living.

So, about that period, a number of economists and Government officials who had held with labor always, began making at first independent and then concerted attacks on the wage fund doctrine and said that profits and wages can rise together, and that the whole community can benefit by larger production; that wages are not paid

out of capital in the old sense, but out of current profit; that the worker pays himself by efficiency.

Now, that was a great development, because it opened up the future; it turned economics from, as it had been called, a dismal science, into one which was linked to improvement and to hope for the masses of mankind. This was connected, of course, with the major alteration that had taken place in the economic life in the past two centuries, namely, that from a scarcity economy to one of potential or actual abundance and surplus, and that has necessitated a revision of all of our old economic rules.

What suited at the time of Malthus that we speak of was utterly inapplicable in a period in which the machine, coupled with science and giant power, and a new call upon natural resources, opened a vista beyond our capacity to see.

At the time social and labor legislation was proposed in the last century, those who held to the old view of fear, those who had niggardly notions were perfectly honest, were based on balance; they said that if legislation does anything to give more to workers, it is going to imperil the enterprise and private profit upon which the welfare of Britain or of our country depends. That was regularly said.

Some of you no doubt have been in Manchester and have seen the chimneys of factories 150 years old. When I last saw them, I was reminded that these were the same factories that the owners threatened to tumble into the sea if children were prevented from working 15 hours a day, 100 years ago, and that threat was made in all solemnity.

And so, ever since, honest but ignorant people, it seems to me, have said that any attempt to recognize, let alone force a higher standard of living on the part of the masses of the people is going to endanger our economic expansion or even our maintenance in existence. But we get over that.

When minimum wage laws were proposed in the States on a very narrow basis, it was felt that this was an attempt to warp economic forces which ought to be left to take their own course; that there was great favor in a natural economic system, but that it was being interfered with by an oversolicitous legislature and that derangement and disaster were invited.

That was when we were talking about $14 a week for a working woman.

Now that the proposal is on a more generous scale, I hear many of the same objections offered in the same tone, and of the same character.

What I want to draw to the committee's attention is just that fact, that through this whole history of objection and in the face of objection, steady and remarkable progress has been made.

The 65 cents which is proposed as the statutory minimum in this bill will not affect many of the 300,000 workers in the union which I represent, the International Ladies' Garment Workers Union. I am submitting figures indicating that we are well above the 65-cent minimum as a result of collective bargaining, so I am not appealing here for more than a fraction of our members. Those making cotton garments in some instances in newly established shops in rural districts or small towns, will be directly benefited: others will be indirectly benefited, of course, because, as the committee is well aware, there will be necessarily and properly a rearrangement of wages above the floor which is established, in order to preserve, not completely,

but in some measure, the accepted differentials between wages, because, as you well know, workers, it often appears, are quite as much interested in protecting the differences in wages as they are in the absolute amounts.

Senator TUNNELL. What would be the result if there is no statutory provision as to those differentials? Will they be maintained by force of circumstances anyway?

Mr. MITCHELL. Yes; they will be maintained anyway.

The point I am making is, I think this would tend to push the whole range up, and that it is foolish for people to come here and talk about 65 cents only, and not then be candid enough to recognize that it is going to run the impetus upward.

Senator ELLENDER. To what extent?

Mr. MITCHELL. Well, our experience has been that it does not register fully. Dr. Graham of the War Labor Board is here and he knows that there we were permitted to preserve these differentials in part, but they were tapered.

As you get higher up, some of the differentials disappeared.

Senator ELLENDER. By that you mean the increase is not as great as it is in the lower brackets?

Mr. MITCHELL. That is right.

Anyway, it is going to depend on collective bargaining. That part of it is going to be a question of what the workers can get from their employers. There is nothing statutory about that.

Senator ELLENDER. Since you mentioned collective bargaining, what effect do you think the passage of the bill would have on collective bargaining where advisory committees are empowered to classify jobs in all industries and fix differentials for job holders in the upper brackets in line with the minimums that will be established by Congress?

Mr. MITCHELL. I think it will have a strengthening effect on collective bargaining; very much so.

Senator ELLENDER. How do you reason that it will have a strengthening effect, if the wages are fixed by a board authorized by Congress? Will they not remain static?

Mr. MITCHELL. Not at all. What we need are floors. Collective bargaining has progressed along with protective labor legislation. One has supplemented and complemented the other. Workers do a very great deal to enforce our labor legislation.

Similarly, labor unions maintain departments which watch very closely the actions of our governmental administrative agencies touching labor and seek to offer their suggestions and assistance and support of the enforcement efforts of these agencies.

Similarly, since this raises the wages of those who are lowest in the wage scale, it gives us a tremendous assistance with those who are above.

For example, Senator Ellender, you and I as southerners, are familiar with the fact that for a great many years our low standards of wages in the Southern States have been a drag upon standards elsewhere in the country. I think the indictment is not against the South alone, because there are other areas. Sometimes we fall too easily into pointing to the South as the Nation's No. 1 problem, and fail to remember that some others approximate that low standard.

We say we are a section that was ruined in the Civil War and we need to have tolerance in this matter, and our standards must not be

improved too rapidly, or otherwise we will not be able to improve economically, and the result has been that we have pulled down from New England, from the Middle States, great textile industries, for example, and you have the spectacle of cotton manufacturers in Massachusetts, which State has had its labor standards fixed by law, going before the legislature and saying, "Relax, because South Carolina, Georgia, and Louisiana are threatening us, and we cannot compete with 12 hours down there."

We tried to organize the women's apparel workers in New York and in Georgia and Arkansas. Very different wage levels prevail. Even in our union shops in those two areas different levels prevail for the same character of product.

Now, suppose a woman working in a cotton-garment shop in Little Rock, Ark., instead of getting 40 cents, gets 65 cents an hour. It is going to be a very great deal easier for us, the union, to protect the wages of our workers in New York and in Ohio, and in San Francisco, and every other market that competes.

Senator ELLENDER. Will not the tendency be, though, to maintain the existing differentials between those various sections in our country?

Mr. MITCHELL. No; the tendency will be to reduce the differential. Nobody wants to tolerate a substandard wage, and in wiping out substandard wages, you make greater progress than you can make in raising wages above the minimum.

Don't forget, Senator Ellender, we have to get everything above the statutory minimum by agreement with our employers, and it all depends on what the industry is able to offer.

Senator ELLENDER. In that connection, I cannot quite agree with your statement of a moment ago that the fact that these advisory committees will be empowered to do what the unions now do by collective bargaining will not affect a union's ability to bargain. The authority given by law to fix wages will certainly weaken, to my way of thinking, or probably, shall I say, do away with the necessity of unionism. Why should a man want to pay $40 or $50 a year dues, when by law he can obtain the same relief for nothing?

Mr. MITCHELL. We cannot do some of these things which the law can do, or it would take us a very long time to do it, and that is the reason we need the law to do it.

I can give you concrete instances. The women's apparel industry has been spoken of as an industry on wheels. There is very little investment in capital, a few sewing machines, and you can rent them; a vacant room above a store in a small town, and an experienced manager, and a few experienced operators, and consequently any shop can move very rapidly from a center where the union has established excellent conditions to a low-cost or low-paying area—and it is not always the low-cost labor area which attracts.

Right now, with the textile industry having moved so largely from New England and northern New Jersey, hundreds of thousands of square feet of available factory space are empty there. Those towns soon will be having large numbers of unemployed of a sort adaptable to our industry, and industrial engineers and others know of these opportunities.

The chambers of commerce and the city governments are making active efforts to get tenants.

Now, they are likely to pry loose from our union, people in a center like New York, or any other communities that they can. Within

the last year I think about 60 shops have fled—I am not sure they have all gone from New York, but about 60 have appeared in the anthracite district of Pennsylvania, around Wilkes-Barre, Scranton, Hazleton, and Sunbury.

There they get the daughters and wives of men employed in the mines who otherwise would not have any occupation or earnings, and they get them for very much less than workers in New York demand.

Now, it is a terrific job to organize 60 small shops scattered around that area. We do it as rapidly as we can, but they have got one foot on the farm and one in these little factories. They frequently regard themselves as only temporarily in the industry. They are doing unskilled work, and we cannot, even when we organize a shop, raise the wages very much because our manufacturer with whom we have an agreement is beset by others whom we have not organized.

Senator TUNNELL. In the last analysis, what is the threat by which you can force an agreement by collective bargaining?

Mr. MITCHELL. In the last analysis, it is a strike, but we cannot strike effectively in a case of the sort I described, where the immediate result would be that either the shop goes out of existence, by which we would have lost everything we contended for, or he shifts his work to a nonunion shop in the immediate locality, a shop which we are not in a position to strike. We do not want to strike.

Ours is a very old union, and one in which we have excellent machinery for adjusting disputes. What we want to do is to organize and come to an agreement with our employers, and that we do in the main. But we have, of course, a serious problem in the case of shops which have located in hitherto nonindustrial districts.

Senator ELLENDER. As you know, the South has been for quite a while engaged principally in agriculture; what effect would the hiking of wages from 65 to 75 cents have on the ability of farmers to obtain labor so as to be able to run their farms?

Mr. MITCHELL. As you know, Senator Ellender, labor has been leaving the farms for the city for many years.

During the depression we had not only the normally unemployed on the farms, but there were many backed up because they would have gone to the cities if they could, but could not do so during that period. It is my impression that the introduction of the caterpillar tractor in the cotton districts of the South, the tractor and other improved farm machinery has expelled from the South hundreds of thousands of workers, many of whom I saw on the road to southern California in 1939 and 1940. So that if anybody has done without labor in the South, it is the plantation owner, and in that part of the South which you come from, particularly.

Senator ELLENDER. And the result is many of the small farms that used to dot the countryside in my State, as well as many of the other Southern States, have disappeared. These home owners have been taken over by larger operators so that the small farm in the South that was called home by many is being absorbed as time goes on.

Is not that true?

Mr. MITCHELL. I think it is, but I do not think that depletion comes from legislation of this sort. I think it comes from forces that have acted within the farm economy.

Senator ELLENDER. Doctor, do not say that if you have not had the experience. I have had it for 25 years and I think I know. I have a farm down South and I know what has occurred to me as well as to many of my neighbors. We simply cannot live with it. Higher wages in industry raise farm wages to such an extent that labor-saving devices must be resorted to in order to meet competition. We cannot pay a higher wage unless we can sell our crops for a sufficient sum to cover wages. Unless we are able to take care of that phase of the problem, my guess is that within a short period of time the small farmer who cannot afford to own labor-saving devices, will either go out of business or be gobbled up by larger concerns that will be able to.

Mr. MITCHELL. I think that is quite possible.

Senator ELLENDER. And the same thing will occur in respect to small business. Large businesses will gobble up the smaller ones, because the smaller ones cannot survive unless they are in a position to own and operate labor-saving devices. Do you not agree with that?

Mr. MITCHELL. No, sir; I do not. Do I understand you want to hold down industrial wages to the level of what the small farmer can pay?

Senator ELLENDER. No; I don't mean that at all. I believe that the process must be gradual. That is, time for adjustment must be accorded.

Mr. MITCHELL. It is awfully gradual for those in the South, Senator.

Senator ELLENDER. It comes in time. We have raised it from 10 cents to 40 cents, and my hope is we can raise it to a dollar if conditions will permit it; but my contention is if we try to do it by legislation of this character, overnight, we will hurt everybody not covered by the legislation you are fostering.

Mr. MITCHELL. How did we get if from 10 cents to 40 cents? Was that not by legislation?

Senator ELLENDER. Yes; but if it had not been for the war, we would not have gotten it up to 40 cents without seriously affecting quite a few industries. My prediction is that many segments of industry will not be able to bear the burden, unless prices are increased. During the war as I have indicated on many occasions, with the Government being the purchaser of almost 50 percent of our industrial and agricultural production and with full employment, the War Labor Board did not see fit to raise the minimum to more than 55 cents; but what you are trying to do here is to have Congress raise the minimum wage, not to 55 but to 65, and then to 75 cents, in a space of only 2 years.

Mr. MITCHELL. I am overstaying my time, but may I say one thing?

Senator TUNNELL. I have a question yet.

Mr. MITCHELL. One purpose of the 65-cent minimum——

Senator ELLENDER. Seventy-five cents.

Mr. MITCHELL. Call it 75, then. Seventy-five cents, incidentally, will buy three-fifths of what the Government itself says is a minimum adequate budget. Remember that.

The purpose, it seems to me, is not to provide enough for the average family to live in decency, though that is certainly a very great object, but the purpose is not only to support the family, but the economy of the country.

Unless we can have sufficient purchasing power, the enterprises which Senator Ellender speaks of will be in a more desperate plight

than he foresees. I do not say it is possible for the committee or for Congress to contend with all of the differences in efficiency, and in the size of productive units which Senator Ellender raises. Those are historical, but we cannot tolerate substandard conditions anywhere.

Senator ELLENDER. But they are bound to exist, and if, through your process of raising wages you, at the same time raise the cost of the goods that are consumed by those you seek to help, they are in no better condition. Aside from that, every time the Congress passes a law to help a special group, we trample on the feet of others, such as school teachers, clerks in stores, white collar workers, and pensioners. What are you going to do about them?

If it were possible to raise wages without disturbing the present price structure, your argument would stand on firm ground, but that will not result. The cost of living is bound to increase, and in so doing we affect the lives of millions of our people who are not so fortunate as to be within the purview of the bill under consideration.

Mr. MITCHELL. I would like to say in reply to Senator Ellender, that William H. Davis, who quite recently was economic stabilizer and before that was Chairman of the War Labor Board, and who, during the war, accepted the mandate of holding down our wages, said recently in an interview that he believes we can increase the real wages of American workers, that we can increase their money wages, without increasing the cost of living.

Senator ELLENDER. Oh, no.

Mr. MITCHELL. He was sharply rebuked for it, and was dropped from the administration, or at least I suppose it was for that reason, but I believe he is right, and we believe that with anything like full utilization of America's capital, material, and labor resources, we can so increase our efficiency of production that we can have more at the same price.

Senator ELLENDER. That sounds silly, to me.

Mr. MITCHELL. You said if that were true, my argument would hold, and I quote William H. Davis, who was recently Economic Stabilizer——

Senator ELLENDER. He denied it before this committee that he said it in that manner.

Mr. MITCHELL. I do not get that. I had a letter from him recently.

Senator ELLENDER. His testimony is available to you if you want to read it.

Mr. MITCHELL. I would be very happy to; and I think the country has received the same impression that I got from him.

Senator TUNNELL. If you pursue the theory that is advanced by those who think that substandard wages must be enforced in order to keep in business a particular class of people, is that not favoritism?

Mr. MITCHELL. Exactly. If Senator Ellender will permit me to point out here, I am a southerner, and we in the South have too long entered the special plea for ourselves to be allowed to exploit our people and our section because we said we were new in industry, and we had to be encouraged.

Now, that made the South a national liability. Anyone in the union, under this legislation, has got the right to come to the parts of the country which are paying substandard wages and say, "In the interests of America you have to improve your practices."

Senator TUNNELL. Under that theory, there would be forced on the whole Nation a substandard of subsistence.

Mr. MITCHELL. Exactly. It is a question of whether the authority of Congress is going to be exerted positively to give the whole Nation a chance, or whether in default of that the Nation will have to continue to struggle against conditions which unionism, by itself, for a great many years, would not be able to remove.

Senator ELLENDER. You are trying to do by law what the unions have been unable to do since they have been organized, and that is to establish the same rate of hourly pay all over the Nation for those doing the same class of work.

Mr. MITCHELL. There is nothing in this bill that would establish the same hourly pay all over the Nation.

Senator ELLENDER. But you establish a minimum applicable all over the Nation, and advisory committees can be created with the power to classify jobs and fix hourly wages in proportion to the minimum fixed by Congress. If that is not fixing rates, then I do not understand the English language.

Mr. MITCHELL. Hourly wages vary tremendously from 40 cents at the bottom to something very much more at the top. This is the minimum. This does not limit what we will seek to achieve for the more skilled operation and more favorably placed workers above.

If a man is sunk in a quagmire, and you offer him a board on which he can pull himself up and stand, he does not cease to walk because he has got the board. That is the first time he is permitted to take steps.

Now, if we have our legs dragging in this slough of substandard conditions, it prevents what I conceive to be useful action we have taken in other parts of the country.

Senator TUNNELL. Thank you.

Is Dr. Foreman here now?

Dr. FOREMAN. I am sorry I was late, Senator.

Senator TUNNELL. It was your loss and not ours, because we will get to hear you anyhow.

Senator ELLENDER. I might say this is the first committee I have ever attended wherein the chairman is always on time. We lose from 15 to 30 minutes in getting started on many committees. I want to compliment the chairman for his promptness.

Senator TUNNELL. When I came to the Senate they told me the way to lose the most time was to be prompt. So I thought in this case, where I could control it, we would not lose the time.

All right, now, Dr. Foreman.

TESTIMONY OF CLARK FOREMAN, PRESIDENT, SOUTHERN CONFERENCE FOR HUMAN WELFARE

Dr. FOREMAN. I am Clark Foreman, president of the Southern Conference for Human Welfare, which is an educational association of several thousand Southerners of all races, colors, and creeds, that believe in the improvement of the South, both in terms of economic prosperity and democracy.

Senator ELLENDER. Where are your headquarters?

Dr. FOREMAN. In Nashville, Tenn., sir.

I might also say you will hear from our first president, Dr. Frank Graham, who is also president of the University of North Carolina, a little later.

The Southern Conference for Human Welfare wholeheartedly endorses the principle of the 65-cent minimum wage.

The Southern Conference—with members in the 13 Southern States—feels that a 65-cent minimum wage will do much to solve the economic and social problems of the South.

Let me tell you what Governor Ellis Arnall, of Georgia, said in the July 28th issue of Collier's magazine:

> The average American annual income at the time of Pearl Harbor was $604.

Note that. The average American income. Not the average northern income.

Governor Arnall goes on:

> In the South, it was $314.
> The average Negro income was considerably lower.
> No plan to cure the South of its will succeed which does not make that differential its first order of business.
> As long as a large segment of our population is so far down the economic scale, the South will not thrive.

Senator ELLENDER. Do you include in that the farmers?

Dr. FOREMAN. Yes. These are the Governor of Georgia's published figures.

Senator ELLENDER. I see. In that connection, would you want to give to the farmer the same advantages and the same returns per year as you propose to give to industrial labor?

Dr. FOREMAN. Senator, the Southern Conference for Human Welfare is composed of farmers, small businessmen, as well as workers of all sorts, and we are intensely interested in the agricultural problem, and I would like to submit for the record a recent paper which the Secretary of Agriculture——

Senator ELLENDER. You did not answer my question. Do you want to have the small farmer under this bill which you speak of as a 65-cent rate, which is really 75 cents, and that means $30 a week; do you want to allow that to the farmer also, the $30 a week?

Dr. FOREMAN. We want to see that all of the people of this country have the opportunity for a decent living, Senator. We want to see they have a chance to raise their children in health and with education, and that applies to farmers as well as workers and businessmen.

Senator ELLENDER. I have been fighting for that ever since I have been in politics and I have so far failed to do the job as I would like it to be done. Special legislation always affects adversely groups not included.

You still do not answer my question.

Dr. FOREMAN. I do not understand the discussion applies to a minimum wage for farmers.

Senator ELLENDER. But you want to take care of your entire membership, do you not?

Dr. FOREMAN. Yes; and we do that by providing a market in the South for farm goods which will enable the farmer to sell goods at a price which will give him a chance to raise his children in decency.

Senator ELLENDER. But you are not protecting the farmer as you are protecting the industrial laborer.

Dr. FOREMAN. I think this is a long pull toward protecting him, and I think the way to do it is by raising the general standard of living so that we give the farmer a better chance.

I think it has been shown that the farmer goes along with the industrial advance in other parts of the country.

Senator ELLENDER. We have been able to do that by giving the farmer a lot of money from the Federal Treasury. I think we allowed him in the neighborhood of two billion a year during the war.

Dr. FOREMAN. Even before that, I think the record will show the farmer advanced along with the industrial population.

Senator ELLENDER. No doubt; but the advance of the farmer is not in proportion to the advance of industrial labor.

Dr. FOREMAN. I am willing to testify to anything that will help the farmer, and if this is not enough, I will testify to that as well.

Senator TUNNELL. I see the newspapers state that the farmer's income for the present year will be $20,000,000,000 in the United States, which is more than half of the total income of the Nation in 1932.

Senator ELLENDER. That is true. We have been able to maintain that because of the fact that the farmer had a market to sell all that he produced, with the Federal Government purchasing 50 percent of his output.

Dr. FOREMAN. We will not have that opportunity if we have another depression. If we go into another tailspin industrially in the South and in the country as a whole, that opportunity will not be afforded and I think that is the basic issue involved here.

You have heard many ways in which the citizens of the South have suffered from the low-wage rate. You have heard that the draft rejection rate of the South was higher than that of any other part of the country because of the poor health of its citizens. You have heard that there are fewer hospital beds per citizen, fewer doctors per citizen, in the South than in the rest of the country. You know that the illiteracy rate in the South is higher than in the rest of the country—8.8 percent for the Southern States compared to 1.9 percent for the North Central States—because the South cannot afford to maintain adequate schools for all.

There have been many estimates of what income is needed for maintaining health and a decent standard of living for a family of four.

The Heller committee of the University of California estimates that in 1944, a family of four needed an income of $2,956 to maintain health and efficiency. Other estimates scale down from that. The lowest estimate I have seen was based upon the WPA relief program for 1935 and adjusted by the Labor Department to 1943 levels according to Bureau of Labor Statistics cost-of-living increases. The BLS figures have, as you know, been challenged as too low by many individuals and organizations including the CIO and the AFL. However, taking the WPA and Bureau of Labor Statistics figures, a family of four would have needed $1,641.23 a year to live in Atlanta, Ga.—my home town—in 1943 on the emergency level of relief budgets—and $1,590.17 a year to live in Birmingham, Ala., on the same level.

Let's see how the Labor Department breaks down this estimated budget. In Atlanta, the $1,641.23 breaks down to roughly 45 cents per person per day for food—$24.25 a month for housing for the family—about $4 a month per person for clothing, and so on.

In Birmingham the budget breaks down this way: About 45 cents a day for food for each person—$24.50 a month for housing—about $4.50 a month for clothing for each person, and so on.

Senator ELLENDER. Is that $20 per month per person?

Dr. FOREMAN. $24.50.

Senator ELLENDER. That is rather high, is it not, for four people. That would be $80 a month.

Dr. FOREMAN. I do not know anywhere that you can get a decent house——

Senator ELLENDER. For $80.

Dr. FOREMAN. No; $20.

Senator ELLENDER. Per person?

Dr. FOREMAN. No; that is for the four.

Senator ELLENDER. I am sorry.

Dr. FOREMAN. Obviously, this budget would not provide a decent standard of living in 1943, let alone 1945. Where can you find adequate housing in Atlanta for $24.25 a month? How can you buy nourishing food on 45 cents a day?

Yet, the proposed 65-cent minimum wage would not even maintain a family of four at this level if only one member of the family worked. For 65 cents an hour, 40 hours a week, 52 weeks a year, amounts to $1,352. Therefore, far from dumping millions of southerners in the lap of luxury, the 65-cent minimum wage would be but a step toward a decent standard of living for all Americans.

But let's get on to some other questions.

Some opponents of the 65-cent minimum wage have said that it would ruin southern industries—that southern industries could not operate at a profit under the 65-cent minimum wage unless price ceilings were lifted.

Well, let's take a look at three predominately southern industries—textile, tobacco, and lumber—and see how they would fare at present price levels under the 65-cent minimum wage.

In April 1945, according to the Bureau of Labor Statistics, 607,000 workers in the textile industry—about 58 percent of all workers in that industry—received less than 65 cents an hour.

It would cost the whole textile industry $33,000,000 to pay all its employees a 65-cent minimum wage for a peacetime 40-hour workweek. Can the industry afford this? In 1944, the industry's profits before taxes were $871,000,000. Subtract $33,000,000 and the industry would still have $838,000,000 in profits before taxes.

In the cotton-textile industry alone, profits before taxes jumped 800 percent during the war years—from $38,000,000 in 1939 to $340,000,000 in 1944.

Now, take the lumber and timber industry. Some 254,000 workers—about 58 percent of the industry's workers—get less than 65 cents an hour, according to BLS figures for April 1945. Raising those 254,000 to a 65-cent minimum would cost the industry $67,000,000. However, the workers themselves would lose some $49,000,000 in premium overtime pay under peacetime conditions. So the lumber and timber industry would have to pay about $18,000,000 in additional wages—which would have cut 1944 profits before taxes from $156,000,000 to $138,000,000.

How about the tobacco industry? Here we have 49,000 workers—or about 60 percent of the industry total—receiving less than 65 cents an hour. The cost to the industry—under a 40-hour peacetime workweek—would be $7,000,000. In 1944, that would have meant $147,000,000 in profits before taxes instead of $154,000,000.

Therefore, the bulk of southern industry can afford to absorb wage increases without additional price increases. But what will southern industry gain by increasing the wage rate of all its workers?

First of all, it will build purchasing power for its products. Southerners, with their low per capita income constitute the largest undeveloped market in the United States. Second, the 65-cent minimum wage will develop mechanization in the South. Studies have shown that northern and southern workers with the same working conditions have roughly the same efficiency and productivity. Therefore, there is no justification for lower wages in the South on the basis of lower efficiency among southern workers.

If southern industries iron out this North-South differential, they can absorb much of the added labor costs by mechanization. And by mechanization I mean improved management methods, installation of labor-saving machinery, increased sales effort, and so forth.

Southern industry will find another advantage in a 65-cent minimum wage. It will find that skilled and efficient workers of the South no longer need to migrate to the North for higher wages. Low wages and poor working conditions have robbed the South of many of its ablest people. About one child out of every eight born and educated in Alabama or Mississippi contributes his life's productivity to some other State. And nearly half of the eminent scientists born in the South are now living elsewhere.

Senator ELLENDER. You know why that is.

Dr. FOREMAN. It is because they have to go to the North to make more.

Senator ELLENDER. No; the fact is the South produces more children. Do you know that the evidence shows in all cities in this country of over 100,000 persons, with the exception of Salt Lake City, the death rate is much greater than the birth rate?

Dr. FOREMAN. But are you saying we do not need those scientists in the South?

Senator ELLENDER. No.

Dr. FOREMAN. Can we afford to export half of our able, trained scientists?

Senator ELLENDER. I did not want to interrupt you about the schooling a minute ago. I would like to see everybody raised. You know yourself that the schoolteacher of Mississippi is poorly paid——

Dr. FOREMAN. Why? Because, we do not have enough income in the State to pay them decently, and the only way we can get it is to get the people to pay taxes so that teachers can get a decent salary.

Senator ELLENDER. Mississippi is primarily an agricultural State, and if she were to take every cent of taxes now collected, and pay it to her schoolteachers they would each receive less per year than New York is paying to its teachers.

Dr. FOREMAN. Of course, that is because Mississippi has the lowest income of any State in the South.

Senator ELLENDER. But the question is, How will you raise those teachers to the standard you are attempting to raise the industrial worker?

Dr. FOREMAN. It seems to me it is an absolutely logical step, because if you give the workers and farmers adequate pay, they can pay taxes and thereby increase the salaries of the teachers.

Senator ELLENDER. But you are not doing that under this bill. You are helping industrial workers and at the same time making it more difficult for the Mississippi farmer to survive.

Dr. FOREMAN. I am hoping a bill will be passed that will do it, and I think we should have a 65-cent minimum as a step in that direction.

Senator ELLENDER. You mean 75 cents. Don't call it 65, because it is 75 at the end of 2 years.

Dr. FOREMAN. Except for the effect on my figures here, I will be perfectly willing to change it to 75.

Senator ELLENDER. You are wrong in your figures; that is what it is.

Dr. FOREMAN. Another question which has been raised is—What will happen to the southern farmer if wages increase for industrial workers?

We know that the South has one-half of the Nation's farmers, one-third of its land, but only one-fourth of its farm income.

We know that the average income of the southern farm family in 1940 was only $380. The overwhelming majority of southern farmers barely eke out an existence.

Yet, during the war years, the farmers of the South made great progress. Where cotton and tobacco once dominated the land, peanuts, soybeans, sweetpotatoes, vegetables, fruit, and livestock are beginning to flourish. The volume of food production in 1942 was 17 percent higher than in 1935–39. This progress must continue from a one-crop economy to a diversified economy which will reclaim eroded land and raise the living standard of the farmer.

Senator ELLENDER. Do you know how the peanut industry subsisted so well, and made a profit? It was through a Government guarantee to the tune of $110 a ton, or some such figure. Do you think that will continue?

Dr. FOREMAN. What we are saying is that if the people can afford to pay real prices, the farmer will produce, and then the farmer can make a decent living and the farm children can get an education and live under healthy conditions.

Senator ELLENDER. You are talking of the standard of living, and my contention is and has been, that as you increase the prices of farm products which you speak of, it also increases the cost of living, so that those you are trying to help will find themselves in two or three years in the same position as they are now, respecting their standard of living.

As I have said here on two or three occasions, if you can buy today for $5 what would have cost you $8 six months ago, your standard of living is certainly not affected.

Dr. FOREMAN. If you accept that premise; but I have shown you that in the three principal industries, the 65-cent minimum could be put in without materially reducing the profits of the industry.

Senator ELLENDER. We have had it in the record a little differently from that.

Dr. FOREMAN. They are Government figures.

Higher wages for workers will be a stimulus to the progress of southern farmers, rather than a handicap. For higher wages mean higher purchasing power for southern products, both industrial and agricultural. It has been proved again and again that farm income rises along with city income, but that when city income drops, farm income drops faster. And city income will drop with the end of wartime overtime and bonuses, unless measures are taken such as the 65-cent minimum wage. All farmers will suffer with the end of wartime overtime and bonuses—but especially the millions of southern farmers who live on the edge of destitution.

As Secretary of Agriculture Anderson said in his statement before this committee:

> Farmers are interested in all types of legislation which may lead to increased purchasing power among their customers. This proposed amendment will no doubt have an influence in expanding the demand for food and fiber.

For families with incomes below $500 ordinarily consume in a year only a little more than a thousand pounds of food per person. While families with incomes between $1,500 and $2,000 consume about 1,500 pounds of food. And families with incomes of $5,000 and over consume well over a ton of food a year. Furthermore, the higher the income, the more expensive the type of food consumed. Low-income families depend upon such foods as beans, potatoes, and bread—while the high-income families eat much more fruit, meat, dairy products, and vegetables.

In summary, let me say that I believe the South cannot afford to oppose the 65-cent minimum wage. The South should welcome a 65-cent minimum wage as a means of increasing its per capita income.

The South has been richly endowed with physical resources. Yet these resources have never been exploited in such a way as to provide a high standard of living for its people. At present, the per capita income in the South is insufficient to maintain adequate schools and other public services. A higher per capita income would mean better education, better health, better housing. It would mean greater purchasing power for the products of southern farms and factories.

A 65-cent minimum wage would be one of the stepping stones to a new, advancing, postwar South.

Senator TUNNELL. Do you have some other questions, Senator?

Senator ELLENDER. No.

Senator TUNNELL. Your theory is, the more wages one obtains the more he spends and the more he eats and wears?

Dr. FOREMAN. Not only more, but better.

Senator TUNNELL. You said some families consume only a thousand pounds of food per person while those with better incomes consume 1,500 pounds of food?

Dr. FOREMAN. Yes.

Senator TUNNELL. Now, let us take it the other way.

Suppose the theory of low income is the correct one, then why should we not by some sort of statute, or maybe by agreement or collective bargaining reduce the wage to 50 cents a day; if that is the correct theory, why should we not do that?

Dr. FOREMAN. In other words, we have been making a mistake in the last 100 years in trying to raise people's incomes?

Senator TUNNELL. Is not that the opposite theory from this one of yours?

Dr. FOREMAN. It seems to me that is so.

Let us take another example.

Why not make all of the States like Mississippi, instead of making Mississippi like the rest of the States——

Senator ELLENDER. Not all States are agricultural like Mississippi.

Dr. FOREMAN. They do not need to be agricultural. They are introducing industries in Mississippi.

Senator ELLENDER. If you make them all industrial, I wonder where we will get our food supply.

Dr. FOREMAN. We want a balanced economy.

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Senator ELLENDER. You are putting them all in the same boat.

Dr. FOREMAN. We want a balanced economy, whereby the workers make a decent living and the farmers are able to sell their products for a decent price.

Senator TUNNELL. Thank you, Doctor.

I see Dr. Graham here, and I do not have his name on the list. Were you intending to testify this morning?

Dr. GRAHAM. Yes, sir.

Senator TUNNELL. Is Mr. Kaplan here?

Mr. KAPLAN. Yes, sir; but I would be very happy to have Dr. Graham go on ahead of me.

Senator TUNNELL. I appreciate that. I think Dr. Graham should have a chance to testify, if he will.

TESTIMONY OF DR. FRANK GRAHAM, STATE COMMITTEE, SOUTHERN CONFERENCE FOR HUMAN WELFARE

Dr. GRAHAM. My name is Frank Graham. I am a member of the State committee of the Southern Conference for Human Welfare.

Senator TUNNELL. You have some connection with the University of North Carolina; do you not, Doctor?

Dr. GRAHAM. Yes, sir; but I am not appearing in that capacity.

Senator TUNNELL. You are president?

Dr. GRAHAM. Yes, sir. I am president of the University of North Carolina.

Senator TUNNELL. We will be glad to hear from you.

Dr. GRAHAM. Mr. Chairman, and members of the committee, I would like to speak here as a southerner who is proud of the part the South played in the making of this Nation, and I would like to see the South come back into that position of leadership, creative genius, and contribution to this Republic.

We all recall that the men who stirred up the Revolution and who led the Revolution, Washington, Jefferson, and Patrick Henry, were southerners, and that the chief framer of the Constitution was a southerner, and also that the man who made the basic interpretations of that Constitution as they stand up to this hour was a southerner; that the man who promulgated the doctrine of the two hemispheres was a southerner; that the three greatest figures of democracy in America, Jefferson, Andrew Jackson, and Abraham Lincoln, were southerners; that the man who became in a sense the Moses of modern history, Booker T. Washington, was a southerner; and that the major prophet of the destiny of democracy, Woodrow Wilson, was born in the South.

So, as a southerner, I am standing on a great tradition, and have great pride in that tradition.

Yet, it has come about in the course of the decades that the South became, as President Roosevelt said, our economic problem No. 1.

I am not one who thinks he said that in depreciation of the South. I think President Roosevelt said that out of his great heart, in appreciation of the great struggle the southern people were making and are still making to have a larger part in the house their fathers built.

Now, why did President Roosevelt say the South was economic problem No. 1?

Well, we have, perhaps, the finest soils, but we have the most wasted soils, and not only the most wasted soils, but in one sense, the most wasted people.

We have the lowest wage, the lowest purchasing power, the highest illiteracy rate, the highest interest rate, the lowest per capita circulation of books, the lowest number of children in proportion to population in high schools and college.

Senator TUNNELL. One of your witnesses said you had the highest rate of rejections for armed service.

Dr. GRAHAM. This is true of a number of Southern States. I might add, Mr. Chairman, that also from the South came the largest number of volunteers. So, I would connect this rejection rate with that fact, because if vital young men rush to the war, that is going to have some bearing on the proportion of the unfit.

Senator TUNNELL. I do not know whether they were taken from the total including volunteers, or compared only with those who were inducted.

Dr. GRAHAM. You see, Mr. Chairman, so many young southerners rushed off to the war—and I do not say that in any sense of false pride, because I think all of our States did their part magnificently in contribution to the war, and that the workers in all American States combined with our brave allies to win this war.

Well, these facts constitute an economic problem. I am not going to hark back to the Civil War as any alibi, although I think it has its bearing. But also the southern people have worked under great handicaps.

There has been discrimination against the South. Certainly the high tariffs have worked against an agricultural people, and we are still considerably an agricultural people.

Also the freight-rate discriminations have worked against the southern farmer, manufacturer, and merchant, as Senator Ellender has pointed out; and the southern people carry a tremendous educational overload, which, though, can make the South not economic problem No. 1, Mr. Chairman, but the chief hope of this Nation.

I will not go into the matter of Federal aid to the States for schools, but there is a great amount of logic on which the South can stand, not to ask for charity, but only justice.

A child, trained in a school, is trained not only to be a citizen of the State, but of the United States, and even if Senator Lister Hill's bill which you are supporting were to go through the support would still be about 87½ percent by the States.

So, discriminatory freight rates, high tariff rates, educational overload, have all worked to make the South an economic problem for the Nation, and not only so, but the low wages which form the basis of the fact that we have the least purchasing power in the South, have contributed to the fact that we do not have our rightful place in this Nation of States.

Now, I am speaking here, Mr. Chairman, for the principle of higher wages, and for the principle of a minimum wage, a higher minimum wage, just as high as our economy can stand.

Now——

Senator ELLENDER. Could you expand on that, doctor?

Dr. GRAHAM. Yes, sir.

I would say that a minimum wage that would afford a decent level of living, that will give the individual worker more food and more

clothing and therefore a stronger body, and therefore a more alert mind, increases efficiency in production.

It increases efficiency in production, and if you study industrial history, in all the nations as they became industrialized, you will find that with an increase in the minimum of the wage, there is an increase in production.

There are also contributions to efficiency by recognizing skill, and having peg points for increased skill and efficiency. Also, increasing the minimum wage, increases the total wage, and increases the markets for merchants, for manufacturers and for farmers, and this increase in the market therefore increases production which is one of the maximum goals of this age in which we are living, and that increase in production therefore increases the turn-over, and the increase in the turn-over has a tendency, in the long run to decrease costs; and also increase in wages increases the demand for advanced technology which, in turn, reduces hours and releases workers for other industries to make machines made possible by the new technology.

So in the long run, in general, on the basis of industrial history, we find that an increase in wages, an increase in minimum wage, is sound economically, and not only so, but it will have great meaning to the South.

The southern people constitute 32 percent of our American people, and they receive only 8 percent of the national income. That is not as of this hour, but of an hour that I can substantiate.

Senator ELLENDER. That is because we are now and have been primarily agricultural?

Dr. GRAHAM. Well, I would say in part, yes; because for a considerable part of our history, at least since Appomattox, the economy has been lopsided and loaded against the farmer, and let me say, Senator, that in speaking for the industrial workers of America, I am also speaking for the agricultural workers of America.

The farmers of this country constitute 31 percent of our people, and they received as of a date that I can substantiate, only 9 percent of the national income.

Senator ELLENDER. What date is that? You said 8 percent a while ago. Is that prewar?

Dr. GRAHAM. Yes; prewar. I do not have the war figures.

I think in considering our economy, we should have peacetime figures as far as possible.

Senator ELLENDER. We have had some hearings in which I participated, where there was testimony which, in effect, showed that of the billions of dollars that were spent during this war to help the Government to arm itself, 84 out of every 100 dollars found its way into a small northeastern area of our country.

Dr. GRAHAM. Mr. Chairman, I appeared before the Quartermaster General of the Army to protest against any policy that would have any such result, and I did that not only as a southerner, but as an American.

Senator ELLENDER. Your plea fell on deaf ears, though, did it not?

Dr. GRAHAM. Well, it did not get very far.

Senator ELLENDER. I know it did not, because of my own experience.

Dr. GRAHAM. I say we are one whole people. We are 48 States with responsibilities of States, but after all, we are not only a union of States, but a Nation, and everything that will build up the South will build up America.

Senator TUNNELL. In the WPA, the Southern States got $19 compared with $54 in the Northwest.

Dr. GRAHAM. The reason for that is because we had a low-wage rate, and that somewhat condemned us there. We want to get that wage rate raised.

Senator SMITH. Dr. Graham, could I interrupt?

Dr. GRAHAM. Yes, sir.

Senator SMITH. I want to say I heard you testify before the committee considering the educational bill, and I was very much impressed with your whole philosophy, but I want to ask you to what extent, in your judgment, the price element enters in here. If we raise wages, we have had a lot of testimony that in marginal industries prices would have to be raised.

We are still operating under OPA, and there seems to be a feeling that controls must be maintained, but there you get the marginal industries in the big squeeze, pushing up wages and pushing prices down, and I fear we may have unemployment by that route, and then, the demand for Government projects, while we want to get private industry back into full operation.

Dr. GRAHAM. Senator, I get your point and I would say in reply, and not so much by way of rejoinder but by statement, that the biggest thing on the home front now is working out, by the most competent person to do it, a wage basic dollar to fill into this void we have now.

VE-day and VJ-day came so quickly, but even without knowing it was to be that sudden, the War Labor Board recommended in one of the papers that went to the Administration that there be called a conference of the most interested and competent people against the day of the end of the war, so that when the War Labor Board's powers ended—because, after all, it is a war board with the sanctions of the war; and when those sanctions ended for corporations, unions, and the public, we were trusting that new sanctions would be developed on the basis of a tripartite conference of labor, management, and the public, with the backing of the President, if necessary, and with the backing of Congress to fill in that void.

Senator SMITH. I believe in that 100 percent, but how far should Congress go in wage fixing any higher than a minimum wage for a proper subsistence level; beyond that, will it not be a matter of collective bargaining and negotiation?

Dr. GRAHAM. I go along with you there, but the question arises, What is the subsistence point?

The proponents of this bill say it is 75 cents. It may be more than that, but I am not judging that here.

Senator SMITH. I would like to see it higher than that but I do not think we can legislate it higher than that; that is the difficulty.

Dr. GRAHAM. I do not think you will get a Nation-wide minimum wage with the competition by the 15 percent that does not like to play according to the rules that are worked out by trade associations; and Congress has to protect the 85 percent enlightened businessmen against the 15 percent who will cut throats.

So, in order to prevent the cutthroat competition, you have to put under them a floor or a minimum wage for all workers in America.

Senator SMITH. Even though many of our workers are incorporated into unions and can bargain for their position?

Dr. GRAHAM. The unorganized worker should have his day in court, and this bill is to give the unprotected, unorganized worker a floor under which you do not go in cutthroat competition.

Senator SMITH. That is where I agree with you 100 percent. It is the unorganized fellow, the sweatshop person who needs the protection, and we are trying to discover what that ought to be. I am not sure the organized workers that are able to bargain collectively, will will be helped by our legislating wages to any great extent.

Dr. GRAHAM. They would be helped by a minimum wage because that would be for organized workers also; it would be for all workers, whether organized or unorganized.

Senator TUNNELL. What percentage of the workers of America are organized, Doctor?

Dr. GRAHAM. Right now?

Senator TUNNELL. Yes.

Dr. GRAHAM. I would not say with responsibility, but I would say it is over 10,000,000, way over 10,000,000.

Senator TUNNELL. Out of fifty-some million?

Dr. GRAHAM. I think Broadus Mitchell could tell you that exactly. He is a professor of economics, while I am just a layman.

What is the figure, Broadus?

Mr. MITCHELL. We say about 14,000,000.

Dr. GRAHAM. I knew it was over 10,000,000.

Senator SMITH. Out of how many potentials?

Mr. MITCHELL. During the war we have had an enlarged labor force, and it is difficult to say what the potential is, but call it 56,000,000.

Senator SMITH. That includes professional people, farmers, and everyone else.

I am talking about workers in industry where unions are primarily interested. Take the CIO and A. F. of L. who are interested in workers in industry; I thought that figure was around 25,000,000.

Mr. MITCHELL. I cannot give you that, but I think Dr. Kaplan can throw some light on that.

Dr. GRAHAM. I would say less than half of the industrial workers are organized.

Senator SMITH. I think that is about right, Doctor.

My figures were somewhere around 12,000,000 to 14,000,000 in unions out of possibly a 25,000,000 potential.

Senator TUNNELL. Almost one-fourth of the total employed?

Mr. MITCHELL. It may be Dr. Kaplan has some more detailed information.

Senator TUNNELL. Then we will ask him.

First, will you give us your name?

Mr. KAPLAN. David Kaplan, chief economist for the International Brotherhood of Teamsters.

I am now reading from the Monthly Labor Review of December 1944, which shows that the number employed in nonagricultural establishments for the month of October 1944 was 38,481,000; in nonmanufacturing establishments it was 15,724,000.

Senator SMITH. The 38,000,000 is the over-all, outside of the agricultural?

Mr. KAPLAN. Yes, sir.

Senator SMITH. That would include professional men?

Mr. KAPLAN. And clerical white-collar workers.

Senator SMITH. They are not all members of unions are they?

Mr. KAPLAN. These are employees in nonagricultural establishments. They are not privately employed people.

Dr. GRAHAM. Mr. Chairman, I would like to mention at this point for the committee's consideration, the value, at this critical hour in our history, and the necessity of having social mechanisms that keep up with scientific mechanisms. I think all of the American people now are very much troubled about the implications of the atomic bomb, and I am going to suggest a background here for consideration of the influence of scientific mechanisms on the economic and social structure and on history itself, and in doing this, I wish you would keep in mind that when a new scientific mechanism comes, it demands in social self-defense of the people corresponding social mechanisms for the human control of the scientific mechanism.

These little mechanisms, some of them very tiny things, when they come into history have economic, social, intellectual, and even spiritual repercussions that reach around the earth and down into the centuries. and I would suggest for your consideration three great transitions in history.

I am not an economic interpreter of history, but I recognize the economic factor in history, but just as one of the factors. These factors are economic, political, social, psychological, cultural, and spiritual. Perhaps the last is the most powerful of all if we get its basic implications.

Europe had been in what was called the Middle Ages for centuries when there came along a little mechanism.

Before one of these mechanisms comes into history, there is an intellectual revolution which precedes it. The Middle Ages made a great contribution to mankind. It gave parliament, the noble cathedrals, the universities.

Higher learning had been promoted theretofore, but no universities had been established.

The Middle Ages produced universities.

In the great medieval period there were forces and ferments which were going to disintegrate the medieval world and reintegrate the modern world, modernism and commercialism, but we were missing part of that transition in that we overlooked a little mechanism.

Preceding that mechanism came an intellectual revolution—not preceding it, but preceding its perfection was the period called the renaissance, or revival of learning. With the revival of learning came the idea the world was round and not flat.

The medieval man thought there were limits to the earth on which they lived; that there were boiling seas and monsters at the end where you would drop over.

This old Greek idea which came out of Alexandria and Athens was revived after it had been lost for a thousand years or more. That idea was basic, but also the mechanism was basic, and that was the compass, evolved out of the minds, hands, and necessities of many people, the Chinese, northern European, Alexandria, Mediterranean, and then, with the perfections of the Italians and Portuguese, the little compass arrived at a point of comparative perfection about the time of the revival of the idea of the roundness of the earth.

There came through that little mechanism—first you have an intellectual revolution, a great economic revolution called the commercial revolution; ships which had been held within interior seas or close to continental shore lines were released from these interior sets to sail over the outer oceans to discover a new world and new ways to an old world, changing the direction of commerce and the course of business.

That little mechanism, and the propulsion given the commercial revolution by the compass resulted in the rise of a new class in history called the middle class, and this middle class which came from the commercial revolution and from the little compass and scientific ideas back of that little compass, this middle class was a decisive factor in the Renaissance, the commercial revolution itself, the rise of the national state, the scientific and philosophic revolutions, the French Revolution, and those struggles for civil and political liberties which come in an industrial revolution.

So this little magnetic needle became the pivot on which the medieval turned into the modern world.

Senator TUNNELL. When did the telescope come in?

Dr. GRAHAM. That was in the seventeenth century.

Now, sir, your question illustrates the point. It is part of another intellectual revolution. The scientific revolution of the seventeenth century was given impetus by the commercial revolution of the fifteenth and sixteenth centuries. The telescope and microscope gave a new technique to scientific observation, and that changed the fundamental law itself, was in itself an intellectual revolution, and that intellectual revolution, with its idea of latent heat, and its idea of the expansive power of steam which was in the book of a professor named Black in the University of Glasgow. He had a mechanic working in his laboratory and that mechanic took the idea of the latent heat and expansive power of steam and applied it to an old steam engine which for 70 years had been very wasteful in pumping coal in South Wales, and he made it an economic instrument.

Instead of producing power on atmospheric pressure through condensation of steam, he injected a separate condenser and used the direct power of the steam against a piston whose motion was made rotary. His invention of the steam pump revolutionized the modern world.

That brings us to the industrial revolution which was preceded by a new scientific revolution with the invention of a mechanism. This industrial revolution multiplied production beyond anybody's dreams, and also multiplied the population on this earth and was the dynamic impulse to the great labor movement which, in my opinion, is the fourth chapter of the state of democracy in the modern world.

It produced the women's movement, because the women followed the machine, out of the home and into the factories.

The great public education movement for the education of all people regardless of race, color, creed, or economic position also came from it.

All of those things came out of the commercial revolution, and I am suggesting, Mr. Chairman, that this little steam pump which came out of an idea which was the result of a need to meet the new demand of the commercial revolution, and which now included the new world, and making necessary larger production and longer transportation and quicker communication, and which made man in response to necessity use his mind, and these new devices of scientific precision were used to make power engines, steam engines, electric dynamos and turbo-generators and, in our time, gas and oil engines.

That is what that little mechanism did to the world.

But I want to suggest, Mr. Chairman, that with the revolutions, economic, and social, which came with those mechanisms, human society had time to make adjustments. We were quicker on the scientific mechanisms, and slow on social and spiritual development.

You will see what I am coming to.

Here we have an atomic engine on the way, and I wonder how much time we will have to make the necessary adjustments to the social mechanism.

If the industrial revolution demanded such social mechanisms as minimum wage, full production, fair employment practices, abolition of poll tax, Federal aid to states for schools, Federal aid to build hospitals—and one of the tragic needs in America today is hospital beds for low-income people—that would be a social mechanism.

I say, if the industrial revolution made imperative these social adjustments through these social mechanisms what does the atomic revolution demand that we do without waiting around for five or six decades, or even two or three hundred years in slow adjustment to these powerful dynamic revolutions.

This mechanical framework flung around the earth by an industrial revolution picks out a war or a depression or any thing that involves human beings.

Now, it can also pick up an atomic bomb, and that atomic bomb becomes enmeshed in this great mechanical framework, and with it you can destroy 40,000,000 people in one night according to an authority I read in the paper this morning.

Now, we are really in this position: Either we must learn to control our great scientific mechanisms through social mechanisms, and spiritual motives, or this great industrial technological power will destroy mankind in its own unregulated self-destruction.

Senator TUNNELL. Doctor, I could listen to you by the hour, but we really have to hear another witness by 12 o'clock.

Dr. GRAHAM. All right, sir.

I just want to suggest in closing that we see this simple demand here for a minimum wage, whatever the just figure should be, as a social mechanism——

Senator ELLENDER. Whatever what?

Dr. GRAHAM. Whatever the just figure should be, as a social mechanism to meet the demands of scientific mechanisms, America, the home of the atomic bomb, has a great moral responsibility, for that bomb that fell on Hiroshima with the full physical power of the universe is our moral responsibility.

I was going to suggest here another scientific revolution of the last 50 years which preceded this coming atomic revolution, where they reexamined the whole theory of the atom as a bundle of energy which you can protect, keep, and capture, and when you do, you capture nothing less than the power of the universe; and we must develop social mechanisms and supplemental developments in order to save mankind so we are not turned back to an animal species that has not learned not to make mechanisms that it cannot control.

Senator TUNNELL. Thank you. A statement for the record has been submitted by Albert J. Fitzgerald, president of the United Electrical, Radio, and Machine Workers. It will be inserted.

(The statement appears in the appendix.)

TESTIMONY OF DAVID KAPLAN, CHIEF ECONOMIST, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, AND WAREHOUSEMEN OF AMERICA

Senator TUNNELL. All right, Mr. Kaplan, just tell us your full name and position.

Mr. KAPLAN. David Kaplan. I am the chief economist of the International Brotherhood of Teamsters, Chauffeurs, and Warehousemen of America.

Senator TUNNELL. Now, proceed in your own way, just so it does not take us too far into the senatorial hours.

Mr. KAPLAN. I am going to be quite brief, Senator. I want to place the hearty endorsement of the International Brotherhood of Teamsters, an organization which includes more than 600,000 American workers, behind this measure to increase the minimum wage to 65 cents, and then after 2 years to 75 cents an hour.

I do not want to repeat to you gentlemen the evidence you have already heard with respect to the inadequacy of even these rates per hour to provide a decent American health and decency standard. I do, however, want to point this out, that in 1938, the Congress provided a rate of 40 cents per hour to be reached in 1945; that history has played a cruel hoax on the most unfortunate and the most defenseless of our wage-earner group by so increasing living costs that the 40-cent rate that they ultimately achieved barely brought them back to the rate which was the original point of the minimum wage rate—about 25 cents.

Living costs on the average for families who have about $1,600 to spend went up on the basis of conservative Government-industry estimates about 30 percent.

For these lower-paid income families who have to spend a much larger proportion of their incomes for food and clothing, the elements in the cost of living index which went up the highest, the percentage increase would be substantially above the 30 percent estimated by Government authorities.

So in part, what you will be doing by raising the minimum to 65 cents, and then permitting it to be increased to 75 cents in 2 years, is to restore to these workers what Congress had already vouchsafed to them back in 1938, to restore to these workers some of the security and protection that Congress had given to them back in 1938.

Senator ELLENDER. At that point, we have testimony that shows that the rate of 55 cents fixed last February about equals the 40-cent rate that was obtained during or just before the war.

Mr. KAPLAN. Yes. I said you would restore it in part to them, and I think the 55 cents is about what it would take.

Senator ELLENDER. But you said 65 to 75.

Mr. KAPLAN. I said what you would be doing would be to restore what they already had, and by raising it to 65 would increase that rate, and that is what we want to accomplish.

Senator ELLENDER. Yes, I know.

Mr. KAPLAN. I am not going to take up a lot of your time. However, I would like to address a few brief remarks in answer to some of the arguments I have heard by opponents of the bill, one to the effect that there is a conflict here between the interests of farmers and the interests of these lower-paid wage earners, whose wage rates would be increased by this measure.

I think that that is a completely fallacious argument. There is no real conflict between the interests of urban wage earners and the interests of farmers as far as a minimum wage is concerned. The best potential market for the farmers, as has been pointed out by previous witnesses, are these lower standard wage earners, because it will be they who will buy more food.

A person who is better situated in life does not increase his demand for the big staples that our farmers produce when he earns more money, but the poor man who has a substandard existence now, of necessity increases his demands for the great staple products that our farmers produce.

Take, for example, the cotton farmer. Where could he find a better market than among the lower paid workers who use cotton garments?

If they had more to spend they would spend it on more and better cotton garments. That is what the farmer needs.

He needs good domestic markets, and that is what this bill would help to provide for the farmer.

Senator ELLENDER. Have you any idea of how much the farmer would have to sell his cotton at per pound in order to give him the same returns that you are trying to allow to the industrial worker?

Mr. KAPLAN. I don't know, Senator, what that is, but I would——

Senator ELLENDER. I know you do not.

Mr. KAPLAN. But I would venture to state this, that the farmer would get a much better price for his cotton, and would be able to sell more of it, if these people had a more adequate wage.

Senator ELLENDER. But the point is, though, your philosophy, as I understand it, is to help everybody.

Mr. KAPLAN. As far as basic minimums are concerned, it certainly is.

Senator ELLENDER. Yes. You would like to see the farmers and school teachers and others provided for at about the same rate we are trying to establish for the industrial laborer, here, would you not?

Mr. KAPLAN. I certainly would.

Senator ELLENDER. It is my view that if you were to afford that to the cotton farmer, it would probably be that he would have to sell his cotton at about $1.25 a pound.

Mr. KAPLAN. I could not answer you on that Senator. I do not know what the price of cotton is, and how much more a farmer would have to have to get that income.

Senator ELLENDER. That is the trouble with you economists. You figure the problem out as it would affect the particular group you represent, but you do not think it through as to what effect wage increases would have on other groups who are not included in the legislation.

Mr. KAPLAN. If you would like me to make some calculations and make up some figures, I will submit them for the record.

Senator ELLENDER. I would like you to give for the record the price farmers would have to sell five of our basic crops,—corn, wheat, cotton, tobacco, and rice—per bushel or per pound in order to give them the same yearly return you are now trying to allow to industrial workers.

Mr. KAPLAN. I say at no matter what price he would have to sell it, he is entitled to that, and the point I want to make is you cannot help the farmer by keeping low standard wages and you cannot help the farmer by depressing wages.

Wages have actually been depressed in this country as far as real wages are concerned for this particular group of wage earners. That does not help anybody, Senator, and it seems to me, least of all the farmer.

Senator SMITH. Mr. Kaplan, if you approve Senator Ellender's suggestion, that you would like to raise the standards of the farmer on cotton, hogs, wheat, and so forth, that would mean you would have to raise the prices of those products and increase the cost of living?

Mr. KAPLAN. I do not concede that.

Senator SMITH. That is what I want you to address yourself to—how you would maintain the prices and still raise the standards.

Mr. KAPLAN. That brings me to the second point. Some of the opponents of this bill claim that all this bill will be doing will be to increase the cost of living so that in the end the wage rate will really not benefit those it was intended to benefit but will just require them to pay more for the goods they buy and will leave him no better off than he is now.

Senator SMITH. What they call the inflationary spiral?

Mr. KAPLAN. Yes. There are quire a number of factors involved in costs.

For example, the amount of labor it takes to go into any certain product is one factor. Another factor involved in cost is the question of how much any concern can produce, and that brings us down to the matter of demand. A lot of manufacturers sometimes have their pricing policies geared on a production level which is very far from capacity production.

My firm conviction is that if we are able to get full employment and we are able to get capacity production, that raising the minimum to 65 or 75 cents will not increase costs.

Senator SMITH. Of course, that is the big debate. Every witness has a different view on that point.

Mr. KAPLAN. That is my conviction on that entire matter.

Senator SMITH. I am glad to get your judgment. Does that go Nation-wide in every industry?

Mr. KAPLAN. I would not say in every industry but the general level of the commodities that go into the cost of living. I will state that as my firm conviction.

Senator SMITH. You think the general wage raise which would come from raising the minimum can come before we steam up production?

Does it not have to come out of the very production before you can guarantee it?

Mr. KAPLAN. Before you can get the production you have to have a demand exerted for that production or it will not be produced.

Senator SMITH. That brings up the old philosophy—which came first, the hen or the egg? It is the same old story, and there is the same difference of opinion as to how we can bring that about. We all want to raise production and raise the return to the worker. We do not want high prices, because we want to spread everything among our people. There is no difference between us, but just a matter of method—which is the first step and which is the second.

Mr. KAPLAN. Yes; and I would rely on history to prove that the first step is getting adequate wages and sufficient purchasing power; guaranteeing sufficient purchasing power will guarantee production.

As far as the war is concerned, what happened? The Government went to these concerns and said, "We are going to pay you for so much production."

What did they do?

They accelerated the demand.

Senator SMITH. The Government was the market there.

Mr. KAPLAN. That is correct.

Senator SMITH. I am not questioning your testimony, and I am very much impressed with it, but we do have to consider very carefully whether we should raise the wage and hope production will follow.

Other witnesses say you have to get your production going; and as you reduce unit cost, you can raise wages.

To my mind, it is a matter in which order it will come.

Mr. KAPLAN. I think as far as these low-standard workers are concerned, the benefit of the doubt should be given to them.

Senator SMITH. And if industry cannot pay it—we do not want to throw them out of employment.

Mr. KAPLAN. That is what the opponents of the original act said in 1938.

Senator SMITH. Of course, the war permitted that.

Mr. KAPLAN. Even before the war, employment levels went up after this act was passed.

Senator ELLENDER. That was because of the great demand from England and Russia, as pointed out here in previous testimony.

Senator SMITH. I do not think it is fair to take war figures.

Mr. KAPLAN. Let us go back to 1933 to 1937. We did not have the war demand on at that time. The New Deal came in and raised wages, and we began to get an upward trend in our employment.

Senator SMITH. I am not sure I agree with you on that. I think we had a desperate employment situation until the war began.

Senator TUNNELL. We did in 1929.

Senator SMITH. Yes.

Mr. KAPLAN. We had a rise in the level of employment.

Senator TUNNELL. After the passage of this act, in the remainder of 1938, 1939, and '40, and nearly all of 1941, before we were in the war?

Mr. KAPLAN. That is correct.

Senator SMITH. We had the foreign demand.

Senator TUNNELL. We have the foreign demand now.

Senator SMITH. I am not negativing the suggestion.

Mr. KAPLAN. May I make the point that certainly we should not base wage rates on what any marginal firm could pay, because otherwise we would be on a dangerous level all of the time and we would really have to dub economics as the dismal science.

Senator TUNNELL. Thank you.

We will adjourn until tomorrow morning at 10 o'clock in the same place.

(Whereupon, at 12 m., the committee was adjourned until 10 a. m., tomorrow morning, Friday, October 19, 1945.)

AMENDMENT TO THE FAIR LABOR STANDARDS ACT

FRIDAY, OCTOBER 19, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424, Senate Office Building, Senator James M. Tunnell (chairman) presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. The hearing will come to order. Is Mr. Lane here?

Give your name and position to the reporter.

TESTIMONY OF HAROLD LANE, SECRETARY-TREASURER, FOOD, TOBACCO, AGRICULTURAL, AND ALLIED WORKERS UNION OF AMERICA (CIO)

Mr. LANE. My name is Harold J. Lane, international secretary-treasurer, Food, Tobacco, Agricultural, and Allied Workers Union of America (CIO).

Senator TUNNELL. Now, proceed in your own way, Mr. Lane.

Mr. LANE. Thank you, sir.

Mr. Chairman and members of the committee, the organization for which I am speaking represents directly some 80,000 workers under union contract in the food, tobacco, and fiber processing industries.

Our members come from canneries, fruit and vegetable packing houses, tobacco factories, cotton compresses and warehouses, cottonseed oil mills, and similar types of establishments. The workers employed in these industries total close to a million.

Hundreds of thousands of these workers are not earning enough money at the present time to provide them and their families with even a bare minimum standard of living. These have historically been low-wage industries. We find, moreover, that during the war hourly earnings of food and fiber processing workers have lagged behind those of higher-paid industries; that is, that gap between their hourly earnings and those of other industries has widened during the last 5 years.

More than 400,000 workers in these industries now are paid less than 65 cents an hour.

Senator TUNNELL. Let's get what you mean by that. You say you represent 80,000, and then you refer to 400,000.

Mr. LANE. We refer to a total figure of 1,000,000 employed in the industry.

Senator TUNNELL. You don't represent all of the million?

Mr. LANE. No, sir; not in our organization.

Large numbers are not paid time and one-half after 40 hours, as the result of exemptions in the present Fair Labor Standards Act. I have with me workers from several of our plants, who can give you first-hand information on wages and overtime in some of these industries.

Passage of the Pepper bill will, of course, directly benefit hundreds of thousands of food and fiber processing workers by guaranteeing them a bare $26 a week for a 40-hour week and by bringing them closer to the minimum American standard of time and one-half after 40 hours a week. That is good. But the interest of the entire Nation, also, is at stake.

Raising of minimum wages and removal of exemptions is urgent in order to help prevent collapse of buying power, unemployment, decreasing farm and factory production, and all the other evils of depression.

While discussing particular cases we must, at the same time, keep the major objective of full employment in mind. We must maintain full production and employment or else face national disaster.

I have here a brief which covers in detail economic conditions in the food, tobacco, and fiber processing industries, the present wage levels, the effect of the establishment of a 65-cent minimum on costs and profits, and the ability of these industries to pay higher minimum wages. These industries can easily pay the proposed increased costs out of profits.

For example, cost of the 65-cent minimum would be only 6.4 percent of the 1944 profits of the food and beverage industry and only 9.1 percent of the tobacco industry profits. These and other facts showing how the increased costs will be absorbed by these industries are fully set forth in the brief which I should like to submit for the committee's consideration.

(The statement referred to appears in the appendix.)

Mr. LANE. In the time at my disposal here, I would like to discuss briefly two special aspects of the bill before the committee: First, the matter of coverage of agricultural processing workers under the Fair Labor Standards Act; and second, the question of the effect which passage of this bill will have on farmers.

Briefly, S. 1349 will bring within the coverage of the act the following groups of workers in our industries who are now denied its benefits:

1. Workers employed within the area of production, engaged in specified operations on agricultural or horticultural commodites, and workers in fish canneries, all of whom now are not covered by either the minimum-wages or maximum-hours provisions of the law.

2. It will make eligible for overtime payments workers engaged in the first processing of dairy products, cotton and cottonseed, and sugar, who now may be made to work unlimited hours the year round without any overtime pay.

3. It will remove the 14-week exemption from the overtime provisions for workers engaged in first processing and canning of fruits and vegetables and in the first processing of other agricultural commodities within the area of production.

The bill does not remove an additional exemption from the overtime provisions which applies to seasonal industries for 14 weeks of the year. It also does not bring agricultural workers under the act.

The effect of these exemptions has been to make class B workers out of the employees in the industries affected. There is no economic or other reason which justifies denying to these workers the benefits which are enjoyed by employees covered by the law. To the contrary, these are the workers most subject to the substandard living conditions which the law was expressly designed to correct, and therefore they are the ones most in need of its benefits. The operations they perform are industrial in character, and they are subject to the same working conditions and hazards as other industrial workers who are covered by the minimum wage and hour benefits.

Senator TUNNELL. Do you represent the farmers?

Mr. LANE. No, sir.

Senator TUNNELL. You are just discussing them?

Mr. LANE. Yes.

Senator SMITH. Do you represent the fish people?

Mr. LANE. We have fish people in our organization; yes.

Senator SMITH. In New England, in Massachusetts?

Mr. LANE. Not in Massachusetts.

I have here a picture of a typical citrus-fruit packing house in Texas which shows clearly that we are talking about industrial, or factory, workers.

I would like to give each member of the committee one of these pictures, Mr. Chairman. [Pictures distributed to committee.]

I would like to add that you will note the similarity between the production methods in this packing shed and those you will see in an automobile factory.

Senator SMITH. One question has come to me from some of the agricultural workers in New Jersey.

In some areas the people who work on farms, straight agricultural work, now go in and do the processing. Your proposal would give them two classifications.

The minimum wage would not apply to them as agricultural workers but it would apply as soon as they step over the white line and go into part of the day in processing. Is that right?

Mr. LANE. Our experience is that that applies pretty much throughout the country, in any of the packing industries. Wives of the farmers and children of the growers go into the cannery and work during the packing season.

We feel that farm workers should also come under the act, although we are not proposing such a step at this time.

Senator SMITH. You have to face the fact that you have a difficulty from the standpoint of adjusting it. If agricultural workers are exempted, as soon as they go in and do some packing for part of the day, you put them into another classification.

I am discussing the administration problem without discussing the main merits of the point.

Mr. LANE. I don't believe that would be a new problem. Any work performed on the farm—even packing and processing provided it is confined to the farmer's own crops exclusively—is exempt under the act and also under this bill. Coverage applies only in commercial packing plants.

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Senator SMITH. Except under the present act. Before amendment they considered those two groups together and made no distinction. And I have letters from fish people in Massachusetts, where the fish industry is very important, and they bring to my attention the fact that if the people actually catching the fish are in one classification and those unpacking from boats and putting them in boxes in another, you are going to have a complete disruption of the industry.

Mr. LANE. Well, sir, the men who catch the fish work pretty much on a profit sharing basis with members of their crew and they get a certain share of the amount of money obtained from the catch.

Senator SMITH. That, I think, is the system, especially in New England.

Mr. LANE. The way we look at that is that they are pretty much compared with the farmers who grow the crops. In other words, there is not so much relationship between the fishermen and the workers in the cannery, and they compare the same as the growers who grow the farm products and take it to the cannery. They are both pretty much small businessmen, so to speak.

Senator SMITH. But there seems to be a lot of cases where the same individual steps over a white line, figuratively speaking, and changes from an agricultural worker or a man catching fish, and when he gets over the line he is putting the fish or agricultural products in boxes.

I am not discussing the merits of this amendment, but that would be two classifications and in one case it would apply to them and in one it would not.

One of the officials in the Agricultural Department of New Jersey wrote me and said "Please get this straightened out because it is completely confusing to us."

Mr. LANE. The bill does not provide for coverage of the agricultural workers.

Senator SMITH. That is true. I don't want to hold up your discussion, but I want to bring up a problem we have in ironing out this bill so it won't cause endless confusion in the two industries. You would have to keep close track because they would be part of the day in one and part in another.

Senator TUNNELL. They would have to keep track of that.

Senator SMITH. Well, you know how much the farmer keeps track of things.

Senator TUNNELL. Unless those processing plants are under the same ownership they would have to keep separate records anyway.

Senator SMITH. And I admit with the witness that if these people move for one season of the year into the canning factories that you have a good case for applying a minimum wage to the canning factories such as we have in our own State.

I don't object to that but I don't want to confuse the farmer who does not keep books and he is much concerned.

Mr. LANE. I worked in a cannery, not a large cannery and not a small cannery, a sort of medium-sized cannery.

We have contracts with many canneries and I have yet to find a specific case—and I have been trying to think of one—where somebody works part time in the fields and then goes into the cannery.

It is quite the opposite. The family of the grower, or farmer, is very much interested in supplementing their earnings or the farmer's income, and they know the wages paid in the canneries will make it possible to them to secure additional funds for the winter, and the minute the pack starts they go into the shops and work continually until the pack is over, and then they go back to the farms.

Senator SMITH. From your practical experience you don't think that would be confusing? Wouldn't son Willie say "Papa, I am not going to work in the fields today; I can go to the cannery and get so much," and papa will say "We can't harvest the crop if you don't work in the fields."

Mr. LANE. I don't think that is the case.

Senator SMITH. You don't think that is the case?

Mr. LANE. No, sir; I don't.

We know from our own experience that these exemptions are unnecessary, because our union has contracts with companies in the exempted industries which call for the minimum wage of 65 cents or better, and a minimum of time and one-half after 40 hours of work a week or better. These include small companies as well as large, and some highly seasonal operations. That these firms can observe the minimum wage and maximum hours standards of the act and prosper shows that the special exemptions are not justified.

Our contracts are in canning, packing, cotton compressing, cottonseed oil, and dairy products—industries which at times work long hours. The principle that work over 40 hours a week should be paid extra is well-established in most of American industry. Yet we find workers in those few industries exempted from this overtime requirement. When long hours are put in on seasonal production, this work should certainly be compensated for at the minimum of time and one-half.

A cannery worker, for instance, rushing through 50, 60, 70 hours of work to process perishable products is engaged in exhausting labor and should be paid for this exertion—especially in view of the fact that there will most certainly be weeks of unemployment when the worker must continue to eat and pay rent.

Under the present act these cannery workers are not entitled to overtime pay for a period of 28 weeks, half a year. S. 1349 does eliminate one of the 14-week exemptions to which they are subject, but still retains the partial exemption for seasonal industries.

We therefore submit that the 14-week exemption from overtime up to 56 hours for seasonal industries, in section 7 (b) (3) of the act should be eliminated, and ask the committee to amend S. 1349 accordingly.

One sound feature of this bill is its removal of the exemptions in sections 7 (c) and 13 (a) (10) of the act, applicable to workers who handle and process farm products "within the area of production." Experience has amply shown that these provisions are not administrable because of the fact that it is impossible to draw a line between what is within, and what outside, the area of production without causing severe competitive dislocations among the companies affected.

Senator TUNNELL. Have you discussed the area of production at all? What is meant by "within the area of production"?

Mr. LANE. Well, sir, we have been trying to get a definition of the "area of production" ever since it was written and we have never been able to get a satisfactory one.

Senator SMITH. I think that presents the same difficulty I was suggesting a while ago. There again you have a line and on one side of the line you get the exemption and on the other side you don't.

Mr. LANE. In fact, I touch on this little bit further on.

This fact, plus the fact that the exemption has no justification—as Administrator Walling of the Wage and Hour Division testified last week—clearly calls for the elimination of this section of the act.

These exemptions single out for exploitation hundreds of thousands of American workers. Their inclusion in the original law back in 1938 was engineered by large food-processing interests who have fought every social advance of the last 12 years. These interests masquerade as farmers and seek to justify their antisocial activities in the farmer's name. Their argument in 1938 and in their repeated attempts to weaken the FLSA since, was that any increase in wages of agricultural processing workers would be paid for by the farmer in the form of lower prices for his crops. Baldly stated, this argument boils down to the proposition that the farmer's welfare requires that a million or more industrial workers, plus the millions of farm workers, be kept at a starvation level. This argument has now been resurrected in opposition both to raising the minimum wage to 65 cents and to extending coverage of agricultural processing workers.

Senator SMITH. What would protect the farmer from having that reflected in a lower price to him in the prices paid by the canneries for his products unless you raise the price of the product to the public?

Mr. LANE. I touch on that and to show how the increase can be paid at a later point, sir.

Senator SMITH. I won't interrupt you, then.

Mr. LANE. There has been much heat and little light in the discussion of the question of how the wage-hour law affects the farmer, and it is high time that the question be analyzed in the light of known facts.

Is the farmer injured by high industrial wages or by high farm wages? The answer to this question is emphatically "No," and there is a wealth of evidence to prove it.

First of all, statistics show that the level of farm income is directly dependent on the level of income of nonagricultural workers. The United States Department of Agriculture has this to say on the question:

> Changes in the purchasing power of industrial workers greatly influence the demand for and consequently the price of farm products * * * There is a noticeable similarity between fluctuations of income of industrial workers and cash income from farm marketings.

During the war, for example, the increase in the earnings of industrial workers was accompanied by a tremendous increase in cash farm income, which rose from $8,700,000,000 in 1939 to $20,000,000,000 in 1943.

Second, the farmer's share of the national income is greatest in times of full employment, when wages are higher. As a witness for the International Apple Association pointed out to this committee a few days ago, in 1938—a year of low business activity and low industrial wages—the per capita income of the nonfarm population was nearly four times greater than that of farm dwellers. By 1944, when wages were up, the ratio had narrowed, so that per capita nonfarm income was less than 2½ times as great as that of the farm population.

Here is another very significant fact: Agriculture Department statistics show that the farmer's share of the retail price of foods rises and falls with the hourly earnings of wage workers. When wages are high, the farmer gets a larger share of the consumer's dollar for the food he grows.

For example, in 1939, when the index of hourly earnings of wage workers stood at 102, the farmer's share of the retail price of 58 foods was 41 percent of the total. By 1943, when the hourly earnings index had risen to 148, the farmer's share of the retail price of these foods was up to 57 percent.

Third, the farmer benefits directly and substantially from any increase in the income of low-paid workers. As the Secretary of Agriculture has pointed out, for each increase of $1,000,000,000 in the annual earnings of low-income families, there will be a corresponding increase in food expenditures of at least $200,000,000, as well as increased purchases of cotton and tobacco. As income rises, low-paid families buy a greater variety of foods such as fruits and vegetables, increasing the demand for these products and adding directly to the farmer's market.

Finally, high farm wages are a sign of prosperity on the farm. The Agriculture Department points out:

> Farmers are most prosperous when business activity and city pay rolls are high enough so that farmers sell their products for good prices and can afford to pay good wages. When farm labor is cheap, farm prices and farm income are low.

The inevitable conclusion from this factual evidence is that the farmer stands to gain from any measure which serves to increase the income of the worker, and particularly the low-paid worker. His interest lies in broadening, not restricting, the coverage of the act.

The next question which requires an answer is the claim that raising the wages of those workers who handle and process farm crops lowers returns to farmers. Is there any truth in the claim that added wage costs are automatically passed back to the farmer? Here again, the facts show that the answer is emphatically "No."

Although the same cry was raised back in 1938, no evidence has ever been produced to show that passage of the act, which brought higher wages to large numbers of agricultural processing workers, had any adverse effect upon farmers. In fact, between 1938 and 1940, before the impact of the war made itself felt, the farm price of practically all crops rose substantially. Farm income also went up, while price of goods bought by the farmer went down.

Just how phony these claims are is demonstrated by some of the statements which opponents of this bill have made before this committee. Last week a spokesman for the National Cotton Compress and Warehouse Association testified that if this bill is passed his industry would "either dry up and vanish or materially restrict its services on a high-cost level."

Then, at another point, he stated that since the war began minimum wages in cotton compresses and warehouses have risen from 20 cents an hour to 45 cents an hour, with skilled wages increasing in proportion. This means that wages have risen 125 percent in the industry.

Now, did the industry dry up and vanish when obliged to meet this 125 percent rise in wages? No, the industry's own figures, appearing in appendix E of their statement, show that net revenue was just as large after paying the higher wages as before. The farmer doesn't seem to have suffered either; the farm price of cotton more than doubled during this period, and farmers' cash income from the sale of cotton rose correspondingly.

What this means is that these industries are no different from any other subject to the act; they can and will adjust to higher minimum wages just as the others.

The example I have given is typical of the extravagant and gloomy predictions as to the disastrous effects of raising minimum wages which were first voiced when the act was passed in 1938 and which have been disproved by experience since its passage.

Senator SMITH. I think it would be fair to interpose here that even though we didn't get in the war until 1941, the war was well underway in 1939 and demand for cotton was caused by the war and we did maintain our producers' income by Government action.

Mr. LANE. And cotton prices are guaranteed up to 90 percent of parity for 2 years following the war, also.

Senator TUNNELL. There is a subsidy on cotton, too.

Mr. LANE. While on the subject of unfounded charges, I would like to correct a statement made by the representative of the Grain and Feed Dealers Association as to the effect of this bill on farmers' cooperatives. He gave the impression that, because of the type of ownership, the cost of higher wages in cooperative grain elevators must of necessity be taken directly from the farmer.

In answer to this, I should like to refer the committee to exhibit 8 of our brief, containing an excerpt from a Government study which shows that cooperatives are run in the same manner as any private business and that the incidence of any increase in costs is determined by the same economic conditions.

Another factor bearing on the question of whether added costs are passed back to the farmer is the fact that the price-support program of the Department of Agriculture precludes any lowering of farm prices below the support level. Provision has already been made to guarantee farm prices at 90 percent of parity for 2 years after the war, and it is to be expected that steps will be taken by the Government to assure that the farmer will continue to receive a fair return in the postwar period, in line with the recommendations of President Truman in his recent message to Congress. The fears for the farmers' welfare expressed here by interests opposed to this bill are, therefore, not well-founded.

Senator SMITH. Isn't the farmer being saved in a sense by giving him oxygen rather than by the forces of supply and demand, the usual economic forces?

We are saving our farmers by Government hand-outs because of what he claims is a disparity between his position and the position of industry.

That is one of the problems we are facing and we have not yet solved it.

You are saying the farmer is O. K. because the Government is taking care of him with hand-outs.

Mr. LANE. There are a lot of crops on which they are not receiving a subsidy, according to my understanding.

Senator SMITH. I agree with you that the expansion of consuming power and rising standard of living of the workers does expand the income of the agricultural workers. The people in the lowest brackets who get a raise in pay will spend the largest portion of the increase on food. I agree with you there.

Senator TUNNELL. Do you think it is true to a greater extent than in the particular industries?

Senator SMITH. It tends to be an attempt to have Government protection, and the sooner we get away from that the better.

Mr. LANE. Any move to hamper expansion of purchasing power injures the farmer. This is further evidence that these opposition interests are using the farmer as a front behind which to hide in pressing their own selfish aims.

Concluding, we believe the needs of substandard wage workers, the present economic situation, and the welfare of the country as a whole require passage of S. 1349. We urge the committee to press for its enactment, with an amendment eliminating the seasonal exemption in section 7 (b) (3) of the act.

Senator SMITH. Mr. Lane, I would like to ask you just one or two questions. Don't you think that the establishing of a higher minimum wage would tend to increase wages all along the line, from that point up?

You say that your brief will give us some figures showing that raising everybody from below the minimums to the minimums would not increase the over-all cost of production. That undoubtedly is true and I have seen those figures before, but I think in all these industries we must realize that if we raise the minimum we must raise all wages.

I am not opposed to that but I think we must consider that in figuring the effect of these raises. We must consider that.

Mr. LANE. I think we show that this increase to 65 cents minimum can be paid very comfortably out of the profits of the food and tobacco industries, and if it applies there it applies also to other mass-production industries.

Senator SMITH. My question is whether you don't think that by raising to 65 cents as the minimum we are going to have corresponding raises up the whole classification of wages.

We can't say the only increase in the total cost is the increase up to the minimum. It will be an increase in the whole wage structure corresponding with whatever we consider is a right increase to establish at this time.

Mr. LANE. You are referring to all industries?

Senator SMITH. Yes. The general policy of raising the minimum will move all wages up, which I think we should do, but I don't think it is fair to say if everyone in this industry is raised to 65 cents it will mean so much in dollars. It would mean more. It will mean considerably more.

Mr. LANE. The question of a general wage increase is a secondary problem, in my opinion.

Senator SMITH. May I ask in light of that answer, whether you approve of page 7 of the act, lines 6 to 15, which read as follows:

> The industry committee shall further such reasonable job classifications within such industry or subdivision thereof and shall recommend minimum wage rates for such job classifications (other than unskilled job classifications) at such level as it determines to be necessary for the purpose of maintaining reasonable wage differentials between the minimum wage recommended by it for unskilled job classifications and the wage rates for interrelated job classifications in such industry or subdivision thereof.

That sounds a little complicated, but the point is that the industry committees are apparently not going to stop at wage increases in the unskilled group, but they are going right up the line and apparently thinking of fixing wages for all classifications.

That was not the original purpose of the act. The original act was passed to protect unskilled laborers who could not protect themselves by collective bargaining.

Mr. LANE. If you had ever worked in any of these industries which we are discussing you would find a lot of words here which tend to make you think you are going to make a lot of adjustments. This is quite the opposite.

The workers in canneries and in tobacco industry and cotton industry have only a few wage rates. The classifications they have in most instances, especially in the unorganized plants, are just a common labor wage, and it is only after we get a plant organized that we find that there are different types of work and certain jobs are worth more money.

Now, I would like to point out also that the differentials in the jobs in these industries which we are talking about are very small.

Take, for instance, tobacco in the leaf houses. They have a hiring rate of 50 cents an hour. The overwhelming majority of the workers in the plant only make 55 cents, so you have a 5-cent spread between the hiring rate and the average wage in a shop.

Senator TUNNELL. But wouldn't the rise be the same in both cases?

Mr. LANE. Yes.

Senator ELLENDER. But the advisory committee is given further authority to reclassify all jobs and positions in industry and to fix wages to the same extent the unions have been able to do in the past by collective bargaining.

Senator SMITH. Do the unions want us to have this kind of legislation, set up to fix wages above that minimum? Aren't they in a stronger position, from the union's standpoint, to take everything in their own hands above the living minimum—to raise wages?

Mr. LANE. It is my opinion if this is uniform for the industry it certainly would not be opposed by the union.

In fact, we have gone through 4 years of job classifications under the War Labor Board. There would not be any change from what we have already gone through.

Senator ELLENDER. How many classifications have been made in recent years in the tobacco industry, let us say? Do you know?

Mr. LANE. Not off-hand.

Senator ELLENDER. I recall that a book was presented to us the other day showing that there were 29,000 classifications in various industries, a book 3 inches thick. You can readily see if the advisory committees follow the law they will have power to classify all jobs and fix hourly wages upward in the same proportion to what Congress is now being asked to fix as a minimum wage.

Senator SMITH. The whole philosophy of the bill has changed to my mind. The original philosophy of the bill was to protect people in the lowest levels of living against hardship and give them a reasonable standard of living.

Now, we are moving into wage fixing by Government and this complicated committee business up and down the line and I think from my standpoint the unions are short-sighted in letting that encroachment be made on the collective bargaining area.

I think too much wage fixing by Government is dangerous from the standpoint of the union.

Mr. LANE. If there are 29,000 different jobs in tobacco——

Senator ELLENDER. I meant all industry, not tobacco only.

Mr. LANE. There certainly is room for uniformity in some of these industries, especially in the cigar industry where just the fact that you have a little different size of cigar, maybe a quarter of an inch longer or tapered on the end, gives a different job classification.

Senator ELLENDER. I didn't hear all of your statement. Have you indicated the extent to which minimum wages have been increased in the tobacco industry since 1938 and 1939?

Mr. LANE. I can tell you from first-hand knowledge. You could find the wages in our brief.

Senator ELLENDER. You have covered that, have you?

Mr. LANE. Yes, sir; and they are in the brief. I would like to say that on tobacco the wages, even at this time, probably would average around 55 and 60 cents an hour.

Senator ELLENDER. What is the lowest?

Mr. LANE. The lowest, I believe, is the 55-cent hiring rate.

Senator ELLENDER. That was in accord with the War Labor Board holdings of last February, was it not?

Mr. LANE. No, sir. This was the result of our negotiations with the R. J. Reynolds Tobacco Co. and a decision being rendered by the War Labor Board on that.

Senator ELLENDER. That is what I had in mind. Why haven't you been able to get more through negotiations?

Mr. LANE. Well, sir, in spite of the fact that we believe we are justified in receiving additional income in the form of increased wages, we had a no-strike pledge during the war and we kept that pledge. Our only recourse to secure additional wages during that time was to resort to economic action, to which we are opposed in wartime.

Senator ELLENDER. Most every witness who belonged to a union gave the same answer, but still and all the War Labor Board would not permit the raising of a minimum wage to more than 55 cents. Have you any idea why that was?

Mr. LANE. Yes; I have an idea why it was.

The War Labor Board did a better job than OPA did on President Roosevelt's hold-the-line order. We certainly are not in agreement with some of the decisions of the War Labor Board when they refused to recognize substandard wages and the increased cost of living during the war years, and allowed increases of only 2 and 3 cents an hour, whereas manufacturers were able to get OPA to puncture their ceilings, in the cigar industry, at least three times.

We think that was unjust to the workers.

Senator ELLENDER. I recall reading some figures the other day where the hourly rate of pay, generally speaking, paid to labor was increased since before the war to something like 88 percent, and the cost of living, I am sure, has not increased to that extent.

But that is beside the point. I presume that you realize that if wages had been increased to a greater extent than was allowed, it would have had the tendency of breaking the price structure that was then in effect. Isn't that true?

Mr. LANE. Well, sir, I don't see the logic of the reasoning where wage demands of 2 and 3 cents are denied on the grounds that this may disrupt the price structure and cause inflation, when certain industries, such as cigars, are allowed to have their price ceilings punctured and that does not cause inflation.

I don't see the reasoning at all and I would like also to quote a couple of figures on profits while we are talking about it.

This is an excerpt from the Office of Price Administration war-profit study. Two hundred and eighteen companies engaged in food and kindred products, 1936–39—and this was before we were in the war—$255,650,000——

Senator ELLENDER. That is profits?

Mr. LANE. Yes, sir.

Senator ELLENDER. How much investment?

Mr. LANE. I will get to the increase in net worth in a second.

In 1943 those profits had increased to $743,492,000.

Take tobacco, 20 tobacco products companies: 1936–39, average $92,850,000; in 1943, $121,989,000.

Now, let's look at net worth for a moment. In food and kindred products, the 1936 to 1939 average percentage return on net worth was 9.2 percent; in 1943, 24.9 percent.

In tobacco, from 15.7 percent in 1936–39 to 20.2 percent in 1943. That is a nice increase in return on net worth.

I don't think our net worth as workers increased that much.

Senator ELLENDER. But as I pointed out awhile ago, your wages did increase appreciably, didn't they, unless the figures I have are not correct.

In some instances they have increased 82 percent.

Mr. LANE. That, sir, I doubt very seriously because we can cite you one example. We have a worker here who can tell you the wages she makes now and also a couple of gentlemen are here.

Let's take this one case. Cannery workers' wages today in some of the largest companies are only 66 cents an hour.

Senator ELLENDER. You mean minimum?

Mr. LANE. Average.

Senator ELLENDER. What was it before the war, do you know?

Mr. LANE. I would say that in 1939 and 1940 average wages were below 45 cents.

Senator ELLENDER. That is during the war—not our war but when the war started. I am talking about in 1938.

Mr. LANE. In 1937 and 1938 I worked in a cannery. I received 45 cents an hour.

Senator ELLENDER. Was that the lowest paid?

Mr. LANE. That was the regular wage for practically every man in the shop.

Senator ELLENDER. Where was that?

Mr. LANE. In Toledo, Ohio.

Senator ELLENDER. Thank you.

Mr. LANE. Now, I would like to introduce to you gentlemen——

Senator TUNNELL. We have a program of people who are to appear here today and you were first on the list. The next, Mr. Gittings. Is Mr. Gittings here?

Mr. GITTINGS. Yes.

Senator TUNNELL. And then Mr. Bourg. Is he here?

Mr. BOURG. Yes, sir.

Senator TUNNELL. I don't think it is proper to displace these gentlemen to hear the gentleman you have brought in. After we hear the others we might be able to hear him.

Mr. LANE. Will you see if Mr. Smith's name was on the list, Mr. Chairman?

Senator TUNNELL. No; he is not here.

Senator ELLENDER. If he has a statement we might put it in the record.

Mr. LANE. Thank you very much.

I would like to file this brief with the committee.

Senator TUNNELL. That may be done.

(The statement submitted appears in the appendix:)

TESTIMONY OF T. B. GITTINGS, ASSISTANT VICE PRESIDENT OF THE WESTERN UNION TELEGRAPH CO., ACCOMPANIED BY J. P. BIRCHALL AND A. GLEICHMANN

Mr. GITTINGS. My name is T. B. Gittings, and I am assistant vice president of the Western Union Telegraph Co., with headquarters in Washington.

I wonder if I may present two of my associates who are here so that we may be in a better position to answer any questions you may have.

Senator TUNNELL. Yes, but we don't want to do what we had to prevent Mr. Lane from doing.

Mr. GITTINGS. They are just here to answer any financial questions.

I would like to introduce Mr. Gleichmann, vice president in charge of messenger service, and Mr. Birchall, statistician.

With respect to the proposed increase in the minimum wage our company is in a very unusual position. Of approximately 60,000 employees, about 11,000, or 18.5 percent, are messengers. The total messenger pay roll is running at an annual rate of about $10,800,000; the immediate application of the increase in the minimum to 65 cents will increase this messenger pay roll by $4,450,000 or by 41.2 percent, not including additional costs in connection with social security taxes, benefit payments, et cetera.

Regardless of the minimum wage, the best messengers from the point of view of service to the public are young ones, not only because of their superior alertness but because for about a year before expecting promotion, they devote their energies to becoming as efficient messengers as possible and do not, for some little time, come to regard their job as unworthy of their capacities.

The difference between our company and practically all other large companies engaged in interstate operations is that in our case alone such a very large percentage of our employees fall within this junior class. There is nothing comparable to it in any other interstate industry.

Senator SMITH. Might I ask the average age of those?

Mr. GITTINGS. I have those figures, Senator. Would you care to have them now?

Senator SMITH. No; just so they are here.

Mr. GITTINGS. These younger boys, in general, have not the responsibilities of heads of families, and in most cases not only live at home, but find it unnecessary to be fully self-supporting. In the present act there is a finding of fact—as the constitutional basis for the legislation—that the existence in industries engaged in commerce or production for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers, burdens commerce and constitutes an unfair method of competition in commerce and leads to labor disputes obstructing commerce.

It seems evident that this does not apply and was not intended to apply generally to employees of the class of telegraph messengers under 18. When the present act was under consideration, Congress evidently recognized that, in fairness to the telegraph companies and without serious prejudice to the national policy which Congress was about to adopt, our messengers might well be exempted to some extent from the general minimum; and at the request of the telegraph companies, and in order evidently to afford them some relief in this respect, a provision was inserted in the act authorizing the Administrator to permit the employment of "messengers employed exclusively in delivering letters and messages" at such wages lower than the general minimum as he might prescribe.

In practice it turned out that this attempt to afford us relief failed of its purpose. The Administrator refused to avail himself of the authority for two reasons: First, because the authority was conditioned on a showing that it was necessary to prevent curtailment of opportunities for employment, and he took the position that we could not get along without the messengers; and secondly because, in the face of the manifest intent of Congress to relieve the telegraph companies, he ruled that it could not be said that our messengers were employed exclusively in delivering letters and messages.

Technically this is true. Messengers are frequently summoned by call box or telephone, and when they go out of the telegraph office we do not know whether the customer wishes them to pick up a telegram or letter or perhaps to take his brief case to the railway station or perform some other errand service. Ninety percent of the time it will be a telegram, but it may possibly be one of the other services.

The provision in the existing law therefore affords no relief. We ask that Congress consider an amendment to the effect that the increase in the minimum wage now under consideration shall not apply to messengers under 18 years of age employed principally in the pick-up and delivery of telegrams and letters.

The Western Union Telegraph Co. is opposed to the provision of this bill which would prohibit it from employing messengers under 16, and from employing messengers under 18 in work of any character which the chief of the Children's Bureau decides to classify as "hazardour." In this respect the purpose of the bill is to change the rule of law as declared by the Supreme Court in the recent case of *Western Union Telegraph Company* v. *Lenroot*; namely, that the sending of telegrams is not the shipment of goods and hence not prohibited because child labor has been employed. To change this rule would involve serious hardship to the telegraph company. If such a prohibition had been in effect during the war period, the telegraph company would have found its delivery service involved in something like a major catastrophe.

At the time of the passage of the Fair Labor Standards Act in 1938 this question had careful consideration in Congress. Both the Senate and the House bills contained provisions prohibiting child labor in interstate commerce, but these provisions were eliminated from the bill as finally passed.

There is no question that the employment of children under 16 must be subject to regulation by Government. The issue on which opinions have differed is whether, under our Federal system, it should be regulated by Congress or by the States. It has always been and still is the policy of an overwhelming number of the States to permit

the employment of boys under 16 as telegraph messengers, subject to restrictions of various kinds which differ in the various States according to differing conceptions of local policy.

Senator SMITH. What is the youngest you have employed at the present time?

Mr. GITTINGS. Fourteen, Senator.

Senator SMITH. Have you any rule as to that?

Mr. GITTINGS. Yes, sir; and I am coming to that in a second.

When the Western Union employs these boys, we necessarily comply scrupulously with State laws. No reason has ever been suggested why this matter requires any uniform Federal rule. We believe that no good reason can be suggested except that the abolition of all child labor is regarded by many as a progressive measure, and it is felt by some that if the several States do not progress fast enough, it is a proper function of Congress to compel them to speed up the process against their will.

Twenty States, including nearly half the population of the country, have refused to agree to the child-labor amendment, not from any general approval of the principle of child labor but because of their belief that they should severally retain the right of regulation of this matter in their own hands, with liberty to experiment if they see fit, but to withdraw or change the experiment if it fails to work satisfactorily under local conditions.

The great convenience which would result from a uniform Federal divorce law has not resulted in any serious effort to bring this subject within the field of regulation by Congress, because family relations are primarily and essentially for regulation by the State as long as our Federal system lasts.

Whether a boy shall go to work in a telegraph office if he wishes to and his father wishes him to is a family matter, and unlike the matter of divorce there is no overwhelming reason, or any reason, of convenience which demands that governmental regulation shall be uniform.

President Roosevelt, in his message which led to the introduction of the fair labor standards bills, did not recommend that the Congress prohibit child labor in commerce. He did indeed urge an extension of the frontiers of social progress, but the Democratic platform of 1936 had made it plain that in extending those frontiers it was expected that the States would do their share and Congress would do its share, "each within its proper jurisdiction." The only recommendation to Congress in the President's message, so far as child labor was concerned, was that they should change the law as established by *Hammer* v. *Dagenhart* and prohibit the shipment of goods produced by child labor in commerce, so as to destroy the competitive advantage in interstate trade which resulted to the mine or factory employing child labor over their rivals in other States which did not.

And this was all that Congress did. The battle over the child-labor amendment was fresh at that time in the minds of the Members of both Houses, many of whom had taken an active part in public speeches as well as in debates on the floor in the discussion as to the wisdom of extending Federal power into such local matters; and there can be no doubt that the same reasons which were and can still be advanced against the child-labor amendment had their effect in eliminating the prohibition of child labor from the act as passed.

In this connection it may be interesting to note that the original bills introduced in 1937 both contained findings of fact and a declaration of policy broad enough to indicate that it was the view of the framers of these bills that child labor was harmful to commerce.

The act as passed contained no such finding of fact or declaration of policy. We do not think that Congress could fairly conclude, from anything in past history, that the employment of these boys in capacities in which they have been long regarded as adequate affects commerce injuriously in any way.

There has never been, we believe, a single instance in history of a strike caused or threatened by the employment in commerce of messengers under 16, and there is no basis for any fear that any interruption to commerce ever will be so caused or threatened.

The effect of prohibiting child labor in commerce would be to prevent boys under 16 from securing employment in a telegraph office. It would leave them free, if they must work or will work, to work in stores, as errand boys, and in all kinds of local trade and service establishments.

But many of these boys would much rather be telegraph messengers. We believe that it would be incomparably better for most of them to be telegraph messengers than to work in many of these other trades. Not only is it a healthy, and largely out-door occupation, but it affords opportunity for developing initiative and resourcefulness, and the opportunities for promotion and advancement are excellent.

It is familiar knowledge that Edison, Carnegie, Glenn H. Curtiss, and Donald M. Nelson, started life as telegraph messengers. Two Western Union presidents began their business life that way, as well as a large proportion of the higher operating officials of our company.

Another addition to the list of outstanding exmessengers came to my attention in the September 24 Congressional Record reprint of an article which first appeared in the New York Herald Tribune. It dealt with Mr. Schwellenbach's eminent fitness for the difficult job of Labor Secretary. The author explained that the Secretary's father died when Mr. Schwellenbach was 14 and that he worked his way through school as a newsboy, waterboy, messenger, and railway worker.

In many businesses a boy may start as an office clerk and remain an office clerk all his life; but in less than a year the average messenger has advanced to a better job either in or out of Western Union.

While there have been many complaints of the abuses of child labor in factories and workshops, we do not believe that it has ever been seriously urged that there is anything oppressive in the ordinary sense about employment as a telegraph messenger. The term "oppressive" child labor is used in act arbitrarily to cover all employment of boys under 16; but as applied to telegraph messengers the term does not reflect any actual evil or abuse, or the conclusion of any committee of Congress which has ever conducted an investigation of the subject.

Our company derives no competitive advantage over any rival by the employment of these younger boys as messengers. We sell no product in competition with anyone else for which we are able to charge lower rates because of the use of some of these employees. To restrict their employment when the boys, their families, and their State approve it would merely impose a new and unnecessary obstacle to our efforts to improve our public delivery service.

It affords me no pleasure to have to take issue with some of the statements made by Miss Lenroot, Chief of the Children's Bureau, when she appeared before this committee on October 2. I can fully understand her natural desire and her obligation under the law, to insure education for minors and to protect their well-being. We in Western Union are human and we have children of our own.

Miss Lenroot said that Western Union is probably the largest single employer of children under 16. That is unquestionably true. It is the reason I am here. But let me explain that we are also the only employer providing a national and international telegraph service, affording what we believe we can convince you is attractive temporary employment for minors.

Miss Lenroot offered many reasons why messenger work is "highly undesirable for children." I am simply going to ask you gentlemen to judge the facts.

However, let me first explain, and here I hope you will excuse the personal reference, that I once worked as a Western Union messenger and so did two of my three sons. I also worked for the company as delivery manager here in Washington for 3 years and at Newark, N. J. for 2 years. I therefore have had close association with messengers and with the men and women over them.

Exposure to weather conditions was emphasized by Miss Lenroot. Rain capes are provided for messengers as are mackinaws, and even shirts for warm weather use. The messenger pays nothing whatever for this clothing and his complete uniform.

I do not know just what Miss Lenroot has in mind in citing physical strain incident to Western Union messenger work. The youngster is either walking, riding a bus or streetcar or a bicycle. If he were at home he would probably be climbing trees and poles, running around on the street, playing pinball machines in a neighborhood store, setting up pins in a bowling alley, or just loafing.

Where health is concerned, I submit that the messenger who needs a job at all, needs it to help feed and clothe himself. If the family is in good circumstances he is able to open a bank account and keep out of mischief in the process.

Miss Lenroot is naturally concerned over fatigue and strain which would result from long hours and night work. She has been misinformed where Western Union messengers 16 and under are concerned. Let me read from the instructions of our commercial department vice president, Mr. W. S. Fowler, regulating messenger employment in the light of the Supreme Court decision handed down on January 8 of this year. This letter from which I quote is dated New York, January 10, 1945, when the country was still at war.

> It should be our general practice not to work part-time messengers under 16 in excess of 30 hours per week of 6 days, nor full-time messengers under 16 more than 48 hours a week of 6 days or more than 8 hours in any 1 day. Whether in part-time or full-time assignments, such youths should not be assigned before 7 a. m. or after 7 p. m. Youths between 14 and 15 should not be employed without division headquarters authority, which you will wish to grant only in exceptional and well-justified circumstances involving, for example, an extremely tight labor market and then with the consent of the local school, individual requests of the school or other officials to employ a particular youth, or the employment of those in say the last 3 months before reaching age 15. It shall continue to be our general policy not to employ automobile messengers under 18 years of age.

Actually the weekly hours of work for all messengers under 16 has this year averaged 22. You will be interested to know, too, that the

average number of messengers under 16 employed this year was 1,268 and that of these 1,129, or 89 percent, were limited to after-school hours. All such messengers have been limited by the company's 7 p. m. curfew for these messengers.

Now, on the all-important subject of accident hazards: We have a legal as well as a moral obligation to the messenger and his parents to exercise great care for the safety of the individual. You will be interested in some of the safeguards we have adopted to that end.

The company has opened a number of branch offices in downtown sections and heavily congested traffic areas in order to shorten runs and make practical the substitution of foot messengers for bicycle riders. Automobile messengers have replaced bicycles, even in suburban offices, for long runs, not alone as a safety measure but also to reduce the outside time of the bicycle rider so that he will report back to his office more frequently for rest periods. An added advantage is better supervision and control of the messenger.

Use of motorcycles was eliminated several years ago in favor of safer though more expensive automobiles, all of which are operated by persons over 18 years of age.

Safety principles are constantly drilled into messengers. We have the complete and active cooperation of local police forces in this connection, even to the patrolman on the beat. Delivery routes are so arranged that even foot messengers may avoid known bad traffic spots. This is carried to the point of mapping such danger points and instructing messengers on ways and means of avoiding them or, where that is not possible, emphasizing the need for extra caution.

Safety incentive contests have been conducted system-wide with monetary awards to messengers and supervisors for best performance. Mock court sessions have been conducted with the messengers themselves acting as judge, prosecutor, and jury and meting out the penalty for safety regulation infraction.

Bicycles are inspected daily for mechanical perfection and for warning devices and lights.

Our supervisory people hold memberships in national and local safety organizations and take full advantage of the opportunities thus afforded to gain the benefit of the experiences and methods of others in accident prevention. It is a fact that Western Union people are recognized by such agencies and by public authorities generally as being leaders in accident prevention work and performance.

We are convinced that the lads in our service are well equipped to take care of themselves as a result of the practices we follow. As Senator Smith very aptly observed, hazards exist in going to and from school.

Miss Lenroot refers to work under pressure of a time schedule for making deliveries. At one time messengers were compensated on a per-message basis so that the greater their production the more money they made. They are now paid 40 cents an hour regardless of production. We do try to maintain reasonable supervision over messengers and the amount of work they perform, but I think your own casual observations are all the proof needed that today's messenger, young and old, has a fairly comfortable time of it.

In my own messenger days I could manufacture many good excuses for window gazing, occasional "cokes" and sidewalk conversations, which my delivery supervisor had to swallow up to a certain limit. I do not think the average boy has changed much since I was a

youngster. True, there are time factors to control the outside time of messengers but these are entirely reasonable and give full consideration to the safety element.

It was no doubt unintentional, but the way Miss Lenroot, referred to the accidental death of two boys, described by her as 15 years old, working as ground men with a telegraph company construction crew, would make it appear that it is the Western Union practice to employ boys under 16 for such work. Let me assure you that we do not and have not. While Miss Lenroot did not identify the two cases, we have no record of any such accident involving anyone under 16.

I have available some data on the ages and mode of travel of Western Union messengers now and before the war which may be of interest to you. I shall be glad to offer that information at this juncture, if you so desire, Mr. Chairman.

Senator TUNNELL. That may be done.

(The table offered is as follows:)

Messenger age and mode of travel analysis, Western Union Telegraph Co., Oct. 10, 1945

AGE ANALYSIS

	August 1939	Percent of total	September 1945	Percent of total
1. Number of messengers 18 years and over	7,421	62	9,201	82.2
2. Number of messengers under 18 years	4,549	38	1,991	17.8
3. Number of messengers under 16 years of age, full time (included in No. 2)			125	1.1
4. Number of messengers under 16 years of age, part time (included in No. 2)			1,223	10.9

MODE OF TRAVEL ANALYSIS

	1939	1945 (average 7 months)
Walking	2,788	5,220
Bicycle	8,195	3,256
Telecycle	190	12
Automobile	797	2,675
Total	11,970	11,163

Mr. GITTINGS. If I may take an added moment I would like to point out that today 82 percent of our complete messenger force is composed of individuals over 18, and only 18 percent under 18, and you will find of the number of messengers under 16, there were 125 for the entire system this year of full time and 1,223 part time.

I would also like to call your attention, if I may, Senators, to the complete reversal of the mode of travel.

In 1939 you will notice the walking messengers were approximately 3,000, whereas now they are 5,000. The bicycle messengers in 1939 were 8,000, and now 3,000.

Senator ELLENDER. Is that because of your inability to get bicycles?

Mr. GITTINGS. To some extent that is true. Primarily it is a matter of transfering them for safety reasons principally from the bicycle to walking, particularly in the downtown areas.

Senator ELLENDER. What is a telecycle?

INTENTIONAL SECOND EXPOSURE

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Mr. GITTINGS. To some extent that is true. Primarily it is a matter of transfering them for safety reasons principally from the bicycle to walking, particularly in the downtown areas.

Senator ELLENDER. What is a telecycle?

Mr. GITTINGS. A motorized bicycle is about the best way to describe it.

With respect to the all-important problem of affording employment to youths of 14 and 15 as telegraph messengers, may I remind you of the testimony of one of the labor witnesses who appeared before you the other day.

Mrs. Lucille Durham, employed by a shirt-manufacturing company in Fayetteville, Tenn., explained that she could not support her family on her own income. Her son, not yet 14, is therefore denied the opportunity to attend school and required to work full time for 75 cents a day. Would it not be better for this lad to work as a telegraph messenger, upon reaching the required age, for 2 or 3 hours a day? At 40 cents an hour, he could attend school and still earn considerably more than he does now for a full day's work.

Before closing I should like to call attention to regulation No. 3 of the Children's Bureau of the Department of Labor, setting forth child-labor regulations under the Fair Labor Standards Act, which made it possible for minors between 14 and 16 to engage in the distribution of newspapers. No such provision has been made for telegraph messengers. From this I am obliged to conclude that as compared to the newspaper route the path of the telegraph messenger is wetter, colder, that the ice is more slippery, and that in some mysterious way traffic hazards are made to disappear for the news carrier. I am not convinced that the weight of a telegraph or two results in greater strain than a bag full of newspapers. Please do not infer from this that I believe the delivery of newspapers should be confined to adults. I do not. As you have probably gathered by now, I am very unhappy in having my company held up as the villainous exploiter of child labor when the facts are otherwise. Could it be that we are being spanked for the mistake of taking our case to the Supreme Court and for the unforgivable sin of obtaining a decision in our favor?

May I again urge you not to prohibit the employment of youths as messengers? As to minimum wages I urge that Congress consider an amendment to be inserted as subdivision (5) of the proposed amended section 6 of the Fair Labor Standards Act, after line 24 on page 3 of S. 1349, reading substantially as follows:

Provided, however, That the several increases in minimum wages herein provided for shall not apply to messengers under eighteen years of age employed principally in picking up and delivering letters and messages.

So far I have confined my comments to messenger problems. In closing I should like to emphasize the effect of the initial proposed wage minimum on Western Union. A 65-cent minimum would increase our annual pay roll by $10,938,000, and that figure does not include the spiraling effect of an increased minimum on wage levels above it, nor does it take into consideration increased social security taxes which amounted to $3,015,950 in 1944.

Senator SMITH. I thought on page 1 of your statement you said you increased to 65 cents and increased the messenger pay roll by $4,450,000.

Mr. GITTINGS. The messenger pay roll. I am talking about the complete pay roll.

Senator ELLENDER. Minimum?

Mr. GITTINGS. The minimum wage as applied to our complete pay roll, including messengers and other than messengers.

Senator ELLENDER. What percentage of your employees are now being paid under 65 cents, do you know?

Mr. GITTINGS. Mr. Birchall has that figure.

Mr. BIRCHALL. About 43½ percent, Senator, and that is with the adults.

Senator ELLENDER. What is that number?

Mr. BIRCHALL. About 20,000.

Senator SMITH. You mean 20,000 adults in your company getting less than 65 cents an hour?

Mr. BIRCHALL. That is right, sir.

Senator SMITH. Have you any figures showing what their average is, what those getting under 65 cents are getting?

Mr. BIRCHALL. I haven't any figures showing the average for those particular groups. I could develop those and make them available to you.

Senator ELLENDER. When you say "43 percent," you mean adults and youngsters?

Mr. BIRCHALL. When I say "adults" I am referring to employees other than messengers.

Senator ELLENDER. Let me get that straight.

Mr. BIRCHALL. We have 43½ percent of adult employees.

Senator ELLENDER. Not now receiving 65 cents?

Mr. BIRCHALL. That is right.

Senator ELLENDER. How many have you that don't receive the 65 cents, other than the ones you have just mentioned?

Mr. BIRCHALL. We have practically all of the messengers, or rather a good part, about 10,000 messengers——

Mr. GITTINGS. The others would be automobile messengers principally.

Senator ELLENDER. Would you venture to say how much more it will cost you should the pending bill go into effect and cause rises in the upper brackets? Have you any yardstick to go by?

Mr. BIRCHALL. Are you thinking of the spiraling effect now?

Senator ELLENDER. Not exactly. Usually when we raise the salaries of the lowest-paid workers in an industry, the ones in the higher brackets desire proportional increases.

Mr. BIRCHALL. You have to maintain the previous differential. That would require quite an involved study. It would be a very heavy cost, and I couldn't tell you offhand what that might run into.

Senator ELLENDER. Could you tell us what effect the passage of the Minimum Wage Act of 1938 has had on that? In other words, you were not paying anything like 40 cents an hour when that law became effective, were you?

Mr. BIRCHALL. Of course, before the 25-cent minimum became effective, the first stage of the Fair Labor Standards Act, we did not have any minimum rate of pay. We employed at the going rate of pay in the various localities.

When I refer to adult employees, I mean other than messengers. I haven't those rates with me and I could not say what they were and what the effect eventually was.

Senator ELLENDER. You gave us an estimate of the cost at 65 cents. Of course, you realize this bill provides for an additional 10 cents in 2 years.

Mr. BIRCHALL. That is right.

Senator ELLENDER. Have you the estimates on that, Mr. Birchall?

Mr. BIRCHALL. I have.

Senator ELLENDER. Would you give that estimate for the record?

Mr. BIRCHALL. Speaking of adult employees first, to raise the level to 70 cents would cost about a little over $10,167,000 a year additional. That is adult employees apart from messengers.

To raise the rate to 75 cents, the over-all cost, apart from messengers, would be $13,668,000.

I want to make it clear the $13,000,000 is not on top of the $10,000,000.

As to messengers, to go to 70 cents it would be $5,541,000; to go to 75 cents would cost about $6,623,000.

Senator ELLENDER. Or a total of over $20,000,000?

Mr. BIRCHALL. The total would be $20,291,000.

Senator ELLENDER. That is aside from the rise that is bound to come to these employees in the upper brackets should this minimum go into effect? To what extent could you, under present circumstances, absorb that amount?

Mr. GITTINGS. We could not, Senator. I think I might point out that our net before taxes last year was $13,600,000, so that 65 cents, frankly, would break us.

Senator ELLENDER. Unless you could get a higher rate for your services?

Mr. GITTINGS. We can't do that.

Senator ELLENDER. Why not?

Mr. GITTINGS. Because we are in this unhappy position: Competitively we have the Government-subsidized air mail on one side and the telephone on the other, and the last thing I want to see the company do is to increase rates, and I am firmly convinced that we will risk losing more to the telephone and air mail than we would ever gain with an increase in rates.

Senator ELLENDER. If the pending minimum-wage law goes into effect, would you say it will be the end of telegraph service in this country?

Mr. GITTINGS. I don't want to make it that bad, but I don't know how we are going to make it work.

Senator ELLENDER. Unless you are able to increase your rates?

Mr. GITTINGS. That is right.

Senator ELLENDER. And an increase in your rates is bound to decrease your revenues?

Mr. GITTINGS. That is right.

Senator TUNNELL. Did your company object to the law that was passed?

Mr. GITTINGS. Senator, we made no formal appearance against the law. We did write to each Member of Congress with particular reference to messengers.

Senator TUNNELL. Encouraging the law?

Mr. GITTINGS. No, sir. Congress did attempt to give us such exemption, but it failed to do so through a technicality.

Senator TUNNELL. What effect on wages has this act had?

Mr. GITTINGS. In our case I don't think there is any doubt, in all honesty, that the original Fair Labor Standards Act had considerable to do with the wages of telegraph people. But I might add, in that instance the Fair Labor Standards Act was the great equalizer.

Senator TUNNELL. Somebody has sent me a note which gives me a chance to ask some questions.

You say it did raise the wages, or wages were raised afterward. After the passage of the act did your company ask for a hearing and have a hearing to obtain permission to employ persons under 25 cents?

Mr. GITTINGS. We did. I don't know that it was under 25 cents. I don't recall that we asked for a hearing—on the 40 cents, I believe.

Mr. GLEICHMANN. We had our first hearing before Dr. Leiserson in 1938; and at that time his report, supported by Elmer Andrews, the then Administrator of the act, was to the effect that we could not show that employment opportunities would decrease or that messengers were engaged exclusively in the handling of letters and messages, and it was because of that that we were denied any exception to the minimum.

Senator TUNNELL. At that time was your company paying as low as 6 cents an hour?

Mr. GLEICHMANN. I think at some of the smaller offices it was 9 or 10 cents.

Mr. GITTINGS. Per message.

Senator ELLENDER. Was that per message or per hour?

Mr. GLEICHMANN. Per hour. We paid a boy in those small offices $20 or $25 a month, and he worked 8 or 9 hours a day.

Senator TUNNELL. So the general effect of the law has been to improve conditions, hasn't it?

Mr. GLEICHMANN. Improve wages, yes. The average wage prior to the act was 18½ cents for walking and bicycle messengers, and now it is 40 cents. That is about 117 percent increase since 1938.

Senator TUNNELL. My recollection is, in taking testimony with reference to the consolidation of Postal and Western Union, that your rate of change is very high on messengers. They don't stay long in your employ without being promoted, anyhow.

Mr. GLEICHMANN. Last year it averaged 28 percent per month.

Senator TUNNELL. Or a complete turn-over in 4 months?

Mr. GITTINGS. Almost 3 months.

Senator SMITH. That is because the boys mature or go into other companies?

Senator TUNNELL. If you can mature them as rapidly as that, you deserve a great deal of credit.

Mr. GITTINGS. Frankly, Senator, we foster the idea of temporary messenger service. We don't believe the desirable type of individual, irrespective of age, is interested in a vocation of messenger work.

Senator TUNNELL. I think that is right. You don't want to keep a boy forever as a messenger boy.

What effect has the consolidation had on your costs? When did the consolidation take place?

Mr. GITTINGS. Two years ago, October 7, 1943.

Senator TUNNELL. So that last year was a complete year under the new situation?

Mr. GITTINGS. Yes, sir; I would say 95 percent so.

Senator TUNNELL. What has been the result of the consolidation as to the wage that you pay?

Mr. GITTINGS. The wages have been increased since the consolidation, by the War Labor Board, and, incidentally, Senator, I wanted to tell you that all of my statement and the figures are based on the rates of pay existing as of day before yesterday, but the War Labor

Board night before last issued a press release saying that in its A. F. of L.-Western Union case it was setting new wage minimums of 45 cents for messengers, 50 cents after 30 days, and 55 cents for so-called adults or other than messengers.

So, while I base my approach on the 40 cents, I want to be perfectly candid and tell you we now have 45 cents minimum for messengers, 50 cents after 30 days, and 55 for other adults.

Senator SMITH. But the profits you mentioned were not based on that figure?

Mr. GITTINGS. No, sir.

Mr. BIRCHALL. Mr. Gittings mentioned our net income before taxes of $13,600,000 for 1944. In 1944 we enjoyed the highest revenues in the history of the company, about $196,000,000, largely brought about through war activities, and our net before Federal taxes in prewar years was very much less, around $3,000,000 or $4,000,000 or $5,000,000 average.

Senator TUNNELL. But you had competition then.

Mr. GITTINGS. We still have it. The telephone company, through its teletypewriter service, is very much in our field.

Senator TUNNELL. You are not in competition with Postal now. That was a losing company.

Mr. GITTINGS. That is right.

Senator SMITH. Is the A. T. & T. operating in your field?

Mr. GITTINGS. They have the teletypewriter or TWX service, which means you have a machine in your office and another in your correspondent's office.

Senator SMITH. But not for private messages?

Mr. GITTINGS. Not for private messages, but the effect is the same because the ordinary customer will accumulate his messages for a certain period and send them over the teletypewriter. And we have competition from long distance and air mail.

Senator SMITH. Here is one of the most important service corporations in the country, Western Union, admitting that 20,000 of their employees of necessity have to be kept under a 65 cents an hour wage if the industry is going to survive.

I believe in the industry, but I believe we should also determine whatever we decide is a wage which will permit them the standard of living they should maintain.

Can't we increase our service charges rather than make the people in the industry carry that?

Mr. GITTINGS. Let me first point out, Senator, that the type of employee in that wage bracket, uniformly, would have service with the telegraph company of not more than 2 years, more likely under a year.

In other words, they are the student type, you might say, out of our training schools, and then being graduated into wire work or whatever operating work might be involved.

Have you any statistics that will bear that out, Mr. Birchall?

Mr. BIRCHALL. No, I do not.

Senator SMITH. Do I understand you say you would oppose a 65-cent minimum because you could not meet it without the embarrassment you speak of, or are you asking that people should be excepted because they are in this period of training?

Mr. GITTINGS. I am not asking for any special exception for any of our employees other than messengers under 18 years of age.

Whatever you decide on, we are willing to accept.

Senator TUNNELL. Why do you object to an increase in the cost of a telegram?

Mr. GITTINGS. Because I believe we will lose more business to competition.

Senator TUNNELL. Don't they have messengers?

Mr. GITTINGS. No, sir. We are unique in that field.

Senator TUNNELL. You are the only company transmitting telegraph messages that employs messengers?

Mr. GITTINGS. Except two radio companies in the international business, but no other competition in the telegraph service in the domestic field.

Senator TUNNELL. That puts you in a unique position.

Mr. GITTINGS. That is correct, sir.

Senator TUNNELL. At the same time doesn't it seem to you, if the American people are paying less than a living wage to your employees—as I understand, that reaches more than the messengers—that they are in debt to the company for that?

Mr. GITTINGS. I can readily understand your thoughts along that line but, Senator, let me give you the average hourly wage in Western Union, which is 70 cents, and that is the base rate.

Senator TUNNELL. Are you giving a rate based on hourly wages?

Mr. GITTINGS. Yes, sir.

Senator TUNNELL. and not on salaried persons?

Mr. GITTINGS. They are all salaried.

Senator TUNNELL. They are all salaried?

Mr. GITTINGS. That is correct, but I am simply converting it.

Senator TUNNELL. How many hours a day do you put yourself down for?

Mr. GITTINGS. I have no assignment, but the average workweek in Western Union is the statutory week of 40 hours.

Senator TUNNELL. Don't many of your salaried people work much more than that?

Mr. GITTINGS. Oh, yes; those who are not included in the bargaining agencies or those who are exempt from the overtime provisions under the Fair Labor Standards Act.

Under the act, if they work in excess of 40 hours a week they get time and a half.

Senator TUNNELL. In arriving at those wages, you put a salaried person down for 40 hours a week?

Mr. GITTINGS. That is correct.

Senator TUNNELL. And it averages 70 cents?

Mr. GITTINGS. That is right.

Senator SMITH. I gathered from your statement that practically all of your employees are on an annual salary basis, and they are not faced with the hazard of suddenly losing their jobs.

Mr. GITTINGS. I think it is as permanent employment as is offered by any other industry.

Senator SMITH. That may offset in their minds not having a higher rate.

Mr. GITTINGS. Other advantages are a benefit plan to which the employee makes no contribution whatsoever.

Senator SMITH. What about retirement?

Mr. GITTINGS. That is also true, but still there is no contribution to that.

Senator SMITH. Do you think it is an advantage, if a person is getting substandard wages, to be kept on such wages?

Mr. GITTINGS. I don't, Senator, and I don't want to be put in that position.

Senator SMITH. I didn't think you did.

Mr. GITTINGS. When you take into consideration the factor that these 60-cent or 65-cent people have on the average less than a year's service, and their value is regulated by their experience, and they are put through a training course, and even while they are on the job there is still considerable training to be done, and then they go to the higher wage brackets.

Senator SMITH. You touched on accidents to these boys. Are there many accidents to messenger boys?

Mr. GLEICHMANN. Last year there were a total of 362 for our operations all over the country, for the 11,000 operations.

Senator SMITH. I suppose many of those were trifling injuries?

Mr. GLEICHMANN. Yes, sir.

Senator ELLENDER. Any deaths?

Mr. GLEICHMANN. Yes, sir; four deaths.

Senator SMITH. Is that high or is that a general run for every year?

Mr. GLEICHMANN. It runs about that number each year. That does not mean, of course, that they were all 16- or 17-year-old boys. It applies to our whole force.

Senator TUNNELL. What does the company do when they are injured?

Mr. GLEICHMANN. The company has its own compensation plan which in most cases is more generous than the State compensation law.

Senator TUNNELL. My recollection is that your company had a good fund for its employees, and Postal at that time did not have.

Mr. GLEICHMANN. Our payments per year, pensions and so on, run pretty high.

Mr. GITTINGS. $3,000,000.

Mr. BIRCHALL. Not for pensions alone, but all phases of benefits.

Senator TUNNELL. What have you done with reference to the employees you took over from Postal?

Mr. GITTINGS. They get identical treatment.

Senator TUNNELL. Do they get a portion of the compensation fund?

Mr. GITTINGS. Yes, sir.

Senator ELLENDER. I think that was provided for in the law permitting the transfer.

Senator TUNNELL. They have not paid anything in?

Mr. BIRCHALL. Neither have Western Union employees. This has all been on a noncontributory basis, inaugurated back in 1913.

Senator TUNNELL. You have more employees drawing out of the same well?

Mr. BIRCHALL. Yes; the number of pensioners usually increases until you reach the saturation point with respect to your employment. When that will be, I don't know, but I know the pension figure is slowly going up.

Senator SMITH. You have no apprehension about your reserves? I suppose you have worked it out as any insurance company would.

Mr. BIRCHALL. Our plan is on a pay-as-you-go basis. Each year the company makes an appropriation from current income of the amount necessary to maintain its payments.

Senator TUNNELL. That fund comes out of the company annually?

Mr. BIRCHALL. That is right.

Senator SMITH. I think that would be a sound way to do it. Otherwise you might be in danger.

Mr. GITTINGS. The effect of this proposed increased minimum can well be illustrated by applying it to our 1944 income statement. Western Union's gross revenue was at an all-time high that year, and its earnings before Federal income taxes were $13,567,392. Its net income after taxes and before dividends was $7,657,392. The added cost of $10,938,000 resulting from a 65-cent minimum wage would have left us with a net of only $2,629,392 before taxes. In prewar years this would have wiped out our net earnings and brought about sizable losses.

From this it must be obvious that we cannot afford the burden of a 65-cent minimum. Our labor costs are proportionately greater than those of any other industry, and already represent 61 cents of every dollar of gross revenue.

Senator SMITH. That includes your pension plan and everything else you do for your workers?

Mr. GITTINGS. That is right, sir.

Senator TUNNELL. My recollection is that there was some fear on the part of some people that when you took over the employees of Postal, your wage account would run up terribly.

Mr. GITTINGS. The war had the effect of taking care of that, Senator, as it did in involving the step-up in the F. L. S. A. minimums themselves.

Senator TUNNELL. But isn't it the plan of your company to gradually reduce the number of employees from the high which you acquired in combining the two companies?

Mr. GITTINGS. I wouldn't say it is the plan.

I want to be honest in admitting that that of necessity must be regulated by our volume, and I don't want, unless we are forced to, to see a rate increase which is going to eliminate any portion of our volume, which means that many less jobs.

Senator TUNNELL. You had to take over the employees of the Postal Co.?

Mr. GITTINGS. Yes, sir; we took them all.

Senator TUNNELL. You are reducing the wire, aren't you, the mileage?

Mr. GITTINGS. Here is our postwar program. We intend to substitute the radio-beam system, which will take a minimum of 7 years, and more likely 10, and it may interest you to know that is a substitution of the beam-relay system for the outside poles and wires. That will make for considerably improved service because you eliminate the hazards of lightning and everything that is inherent in a pole-line system.

Senator SMITH. We will lose our telegraph poles?

Mr. GITTINGS. That is the effect.

Senator ELLENDER. It will curtail the number of employees, won't it?

Mr. GITTINGS. The plant employees; yes. I think we can pretty well forecast that we can absorb anybody that is affected in the course of time by this program.

Senator TUNNELL. I was only trying to find out whether this was the next "repeat" you are now passing through in employment.

Mr. GITTINGS. I would say that it is, both in regard to employment and volume. I personally will be amazed if it stands up as it did during the war.

Senator TUNNELL. Thank you very much, Mr. Gittings.

TESTIMONY OF CLARENCE J. BOURG, VICE PRESIDENT, AMERICAN SUGAR CANE LEAGUE, NEW ORLEANS, LA.

Senator TUNNELL. Give your full name to the reporter, please.

Mr. BOURG. Clarence J. Bourg, vice president of the American Sugar Cane League, New Orleans, La.

Mr. Chairman and members of the committee, the American Sugar Cane League is an organization of growers and processors of sugarcane in Louisiana. The processing operations are conducted in the fall of each year, beginning in October, and how far into January the operations continue depends each year upon the size of the crop. There are 66 processing plants where sugar cane is received, ground and made into sugar.

At the time of the original enactment of the Fair Labor Standards Act in 1938, the minimum wage being paid was 25 cents to 30 cents. The industry promptly went to the 30-cent minimum and later by action of the Labor Industry Advisory Committee, the minimum rate was increased to 40 cents.

This substantial increase in the minimum likewise carried with it proportionate increases in the rates paid to the many skilled and experienced workers necessary to sugar processing.

Because the processing operations are entirely seasonal and last from 75 to 120 days in each year, it has been very difficult to maintain experienced crews of workers with the proper skills. For the most part, the majority of members of the crew in a sugar plant follow other trades and work during the balance of the year, such as farmers, carpenters, and plumbers.

The sugar plants are all located in rural communities so that crews cannot be easily obtained or organized. These conditions made it absolutely necessary, in most instances, to have the men employed in the plants work longer hours than are normal in factories which operate throughout the year.

In fact, because the season is comparatively short, most of the men employed look forward to being able to work on long shifts, for the reason that they are able to improve their income at a time of the year when outdoor work is greatly reduced.

The exemption contained in section 7 (c) of the act with regard to maximum hours has made it possible to continue the sugar-cane processing operations during the war years when labor has been so scarce. It has permitted the industry in Louisiana to average 400,000 tons of sugar production during the war years, which represents increased production.

It is essential to the continuation of maximum production that the section 7 (c) exemption shall be continued. The purely seasonal exemption provided under section 7 (b) (3) would jeopardize the saving of a large crop, since the harvest would extend beyond 14 weeks. More important is the fact that a 56-hour limitation could not be complied with, due to the scarcity of experienced labor willing to work at a

purely seasonal job, and because of the stringent control over prices and income exercised both by the USDA under the Sugar Act, and the OPA under the Price Control Act.

As proof of the inability of sugar-cane processors to operate successfully under the squeeze between minimum labor rates and strict control over price and income, a survey was conducted by the Louisiana State University covering the processing operations of 1944, and out of 29 raw-sugar factories surveyed 19 lost an average of $15,914.50 during the 1944 crop season. The survey established the fact that a majority of the processors lost money and the industry averaged out a loss.

Senator ELLENDER. Those losses were on the basis of the minimum rate of 40 cents, as you have just indicated.

Mr. BOURG. Yes, sir.

The experience of Louisiana processors under the Fair Labor Standards Act of 1938, has demonstrated the complete necessity for continuing the section 7 (c) exemption. The experience has likewise demonstrated that any increase in the minimum-wage rate will have to be offset by a corresponding relinquishment of Government controls over the price of sugar and over the income of producers.

In view of the surveys conducted by the Louisiana State University since 1937 covering the cost and income of sugarcane processing in Louisiana, our organization has requested a projection of the effect of increases in minimum rates as provided in S. 1349.

We submit a statement and tables prepared by Dr. J. Normal Efferson, economist of the Louisiana Agricultural Experiment Station at Louisiana State University. The statement explains each table and graphically indicates the reasons for our appearing in opposition to the proposed amendments.

(The statement referred to appears on p. 646.)

Mr. BOURG. The cost studies show an average net loss in 1944 of $15,914.50 per mill, or 12 cents per 100 pounds of sugar.

Tables 4, 5, and 6 indicate continuation and increase of such losses should the minimum wages be increased to 65 cents, to 70 cents, and to 75 cents.

Table 7 indicates what the losses would be per mill and per 100 pounds of sugar for hours worked in excess of the 56-hour week should the minimum rates be increased as proposed and should the section 7 (c) exemption be eliminated.

Senator TUNNELL. You mean your business is losing money now?

Mr. BOURG. Yes, sir; we actually lost money in 1944.

Senator TUNNELL. Have you any idea of keeping up——

Mr. BOURG. We are hopeful there will be a change in Government control over the price of our product.

Senator TUNNELL. What kind of a change did you have in mind?

Mr. BOURG. An improvement of three-quarters of a cent on sugar.

Senator TUNNELL. Raising of the ceiling?

Mr. BOURG. Yes. And under the Sugar Act there is also a control over the distribution, and that has tended to lower the income possibilities.

I might say the Bureau of Labor Statistics shows the average cost of food is up around 49 percent and sugar is only up 28 percent, so we are well below the average cost.

Senator TUNNELL. Would an equalization of that percentage let you out of the red?

Mr. BOURG. Yes, sir.

Senator ELLENDER. You mean under the present price structure?

Mr. BOURG. Yes, sir.

In view of this very real situation confronting processors of sugarcane in Louisiana, the American Sugar Cane League asks that the exemption in section 7 (c) as to maximum hours and the minimum wage rates in section 6 be continued.

Senator TUNNELL. That was all you care to discuss? You have a lot of figures here.

Mr. BOURG. That is the statement and the tables prepared are basic data supporting our argument.

Senator ELLENDER. Mr. Chairman, I suggest that the statement referred to be filed with the clerk and when the permanent record is made that it be incorporated following the testimony of the witness.

Senator TUNNELL. Yes. Of course we will have to cut out a good deal of that that is filed because we would have a book bigger than Webster's dictionary.

Senator ELLENDER. This is for the whole industry.

Senator TUNNELL. It seems to me impossible to file all of the exhibits.

Thank you very much, Mr. Bourg.

(The statement submitted by Mr. Bourg is as follows:)

CHANGES IN THE COSTS OF PRODUCING RAW SUGAR UNDER CERTAIN ADJUSTMENTS IN MINIMUM WAGE RATES IN LOUISIANA

(J. Norman Efferson, Louisiana Agricultural Experiment Station)

Detailed studies of the costs and returns from the operations of raw-sugar mills in Louisiana have been conducted by the Department of Agricultural Economics of the Louisiana Agricultural Experiment Station each year since 1937.[1] The most recent year studied, the 1944 grinding season, has been used as the basis of estimating expected changes in costs and returns under certain adjustments in minimum wage rates. The 1944 season was used since it is the most recent one and more nearly represents current and expected future conditions as to costs and returns. The 29 mills included in the 1944 study represent about three-fourths of the total production of raw sugar in Louisiana in 1944.

The percentage distribution of the total labor bill paid out to different wage classes of labor for most of the mills studied in 1944 is shown in table 1. Under 1944 conditions, the industry operated under a 40-cent minimum wage rate. The 1944 results indicate that about 14 percent of the labor in overhead costs was paid at the 40- to 44-cent rate, 64 percent of the procurement of cane labor, 56 percent of the labor for direct manufacture of sugar, 46 percent of the mill maintenance, and 11 percent of the selling costs. To summarize, 46 percent of all labor costs were paid out to workers at the 40- to 44-cent rate and about 75 percent of all labor was paid at less than 75 cents per hour.

The actual labor costs for each wage rate class for the 29 mills studied in 1944 are shown in table 2. Of the total labor expense of about $91,000 per mill, $46,000 was paid at the 40- to 44-cent rate.

The percentage increase in wage rates in each wage-rate class which would be caused by certain adjustments in wage rates are shown in table 3. In this computation it is assumed that any increase in minimum wage rates would necessitate the same absolute change for each wage-rate class. The table indicates that workers paid at the rate of 40 cents in 1944 would receive an increase of 62.5 percent if the minimum rate were increased to 65 cents, would receive an increase of 75 percent if the minimum rate were increased to 70 cents, and would obtain an increase of 87.5 percent if the minimum rate was increased to 75 cents. Percentage increases for the other wage-rate classes are somewhat less than for the lowest group.

[1] Louisiana Agricultural Experiment Station Bulletins Nos. 316 and 373 and Department of Agricultural Economics, Louisiana Agricultural Experiment Station Circulars Nos. 37 and 48.

Tables 4, 5, and 6 present an extension of these wage-rate increases into costs to be expected under the 65-, 70-, and 75-cent minimum wage-rate situations. In these tables, all costs other than labor are carried at the actual cost as determined from the 1944 cost study. Each table presents a comparison of results under 1944 actual cost conditions as compared to expected results under the wage-rate adjustment.

In 1944 the 29 raw-sugar mills studied had an average net loss of about $16,000 per mill of $0.12 per hundred pounds of raw sugar produced. Under 1944 conditions with a 65-cent minimum wage rate, the net income can be expected to average a net loss of $52,000 per mill or $0.39 per hundred pounds of raw sugar. If the minimum wage rate is 70 cents, the loss will be $59,000 per mill or $0.45 per hundred pounds of sugar, and if the minimum wage rate is 75 cents, the loss will average $66,000 per mill or $0.50 per hundred pounds of sugar.

Table 7 presents a summary of the average costs and returns under each of the minimum wage situations if the complete overtime-pay exemptions now provided are eliminated. This table is computed on the basis of the usual method of operation of Louisiana raw-sugar mills of an 84-hour workweek composed of daily shifts of 12 hours each or four 6-hour shifts.

The facts indicate that the elimination of the overtime-pay exemption will increase average costs about $20,000 per mill in each minimum wage situation. Under both minimum wage-rate adjustments as listed and overtime pay of time and one-half for all work over 56 hours per week during the grinding season, the expected loss is $65,000 at the 65-cent minimum rate, $73,000 at the 70-cent rate, and $81,000 at the 75-cent rate.

A final summary of average costs and returns per hundred pounds of sugar, based on 1944 actual costs with adjustments for the six different wage-rate and overtime-pay situations, is shown in table 8. These data indicate an average net loss in 1944 of 12 cents per hundred pounds under a 40-cent minimum rate and no overtime pay, as compared with a loss of 62 cents per hundred pounds with a 75-cent minimum wage rate and time and one-half for all work over 56 hours.

TABLE 1.—*Percentage distribution of total labor bill paid out to different classes of labor at 19 sugar mills, 1944 grinding season*

Range in wage rates per hour	Overhead costs	Procurement of cane	Direct manufacture	Mill maintenance	Selling costs	Total costs
40 to 44 cents	13.8	63.9	56.3	45.7	11.1	46.2
45 to 49 cents	1.4	12.8	13.1	14.2	.2	10.9
50 to 54 cents	1.4	2.7	12.0	6.9	1.9	8.1
55 to 59 cents	.3	2.0	3.5	6.3	----------	3.4
60 to 64 cents	1.6	.4	2.3	2.3	----------	1.9
65 to 69 cents	.7	.5	1.6	1.1	----------	1.2
70 to 79 cents	4.5	.4	1.2	3.8	.1	2.1
80 to 89 cents	----------	----------	.3	.2	----------	.2
90 to 99 cents	----------	----------	----------	.3	----------	.1
$1 and over	3.7	1.8	.6	1.1	23.3	2.4
Salaried workers	72.6	15.5	9.1	18.1	63.4	23.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 2.—*Proportionate labor costs in each wage rate class for 29 Louisiana raw sugar mills, 1944 grinding season* [1]

Wage rate class	General overhead	Procurement of cane	Manufacture of sugar	Mill maintenance costs	Selling costs	Total
40 to 44 cents	$1,757.52	$4,557.93	$29,409.33	$7,045.88	$467.09	$43,237.75
45 to 49 cents	178.30	913.01	6,843.02	2,189.31	8.42	10,132.06
50 to 54 cents	178.30	192.59	6,268.42	1,063.82	79.95	7,783.08
55 to 59 cents	38.21	142.66	1,828.29	971.31	----------	2,980.47
60 to 64 cents	203.77	28.53	1,201.45	354.61	----------	1,788.36
65 to 69 cents	89.15	35.67	835.79	169.59	----------	1,130.20
70 to 79 cents	573.11	28.53	626.84	585.87	4.21	1,818.56
80 to 89 cents	----------	----------	156.71	30.84	----------	187.55
90 to 99 cents	----------	----------	----------	46.25	----------	46.25
$1 and over	471.22	128.39	313.42	169.59	980.48	2,063.10
Salaried workers	9,246.12	1,105.60	4,753.55	2,790.60	2,667.91	20,563.78
Total	12,735.70	7,132.91	52,236.82	15,417.67	4,208.06	91,731.16

[1] Total labor costs for each wage class allocated according to percentage break-down in table 1.

TABLE 3.—*Proportionate change in labor costs in each wage class which would be caused by certain adjustments in wage rates* [1]

Wage rate class	No change in overtime pay		
	65-cent minimum rate; percent increase	70-cent minimum rate; percent increase	75-cent minimum rate; percent increase
40 to 44 cents	162.5	175.0	187.5
45 to 49 cents	155.6	166.7	177.8
50 to 54 cents	150.0	160.0	170.0
55 to 59 cents	145.5	154.5	163.6
60 to 64 cents	141.7	150.0	158.3
65 to 69 cents	138.5	146.2	153.8
70 to 79 cents	135.7	142.9	150.0
80 to 89 cents	131.3	137.5	143.8
90 to 99 cents	127.8	133.3	138.8
$1 and over	125.0	130.0	135.0
Salaried workers			

[1] Assuming that any increase in minimum wage rates would necessitate the same absolute change for each wage rate class.

TABLE 4.—*Effect of a 25-cent increase on wage rates per hour for items of cost and return, in Louisiana sugar mills, 1944 grinding season*

Items of cost and return	Average per mill		Average per ton of cane		Average per 100 pounds of sugar		Percentage distribution	
	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
General overhead:								
Labor	$12,735.70	$14,481.52	$0.15	$0.17	$0.10	$0.11	$2.07	$2.22
Depreciation	18,102.05	18,202.05	.21	.21	.14	.14	2.94	2.78
Other	19,215.69	19,215.69	.23	.23	.15	.15	3.12	2.95
Total	50,053.44	51,799.26	.59	.61	.39	.40	8.13	7.95
Procurement of cane:								
Cost of cane	352,110.13	352,110.13	4.15	4.15	2.70	2.70	57.24	54.06
Labor	7,132.91	10,718.38	.08	.12	.05	.08	1.16	1.64
Other	39,839.22	36,253.75	.47	.43	.31	.28	6.48	5.57
Total	399,082.26	399,082.26	4.70	4.70	3.06	3.06	64.88	61.27
Manufacture of sugar:								
Labor	52,236.82	79,562.42	.61	.94	.40	.61	8.49	12.22
Other	32,769.24	32,769.24	.39	.39	.25	.25	5.33	5.03
Total	85,006.06	112,331.66	1.00	1.33	.65	.86	13.82	17.25
Mill maintenance costs:								
Labor	15,417.67	22,499.70	.18	.26	.12	.17	2.51	3.46
Other	22,884.88	22,884.88	.27	.27	.17	.17	3.72	3.51
Total	38,302.55	45,384.58	.45	.53	.29	.34	6.23	6.97
Selling costs	18,996.18	18,996.18	.22	.22	.15	.15	3.09	2.92
Interest	23,700.23	23,700.23	.28	.28	.18	.18	3.85	3.64
Total costs	615,140.72	651,294.17	7.24	7.67	4.72	4.99	100.00	100.00
Income:								
Raw sugar	490,460.59	490,460.59	5.78	5.78	3.76	3.76	81.81	81.81
Molasses	103,791.54	103,791.54	1.22	1.22	.80	.80	17.31	17.31
Other	5,294.59	5,294.59	.06	.06	.04	.04	.88	.88
Total income	599,546.72	599,546.72	7.06	7.06	4.60	4.60	100.00	100.00
Operating income	8,106.23	−28,047.22	.10	−.33	.06	−.21		
Net income	−15,594.00	−51,747.45	−.18	−.61	−.12	−.39		
Capital investment	474,005.00	474,005.00	5.58	5.58	3.64	3.64		
Cane ground, tons	84,871.96	84,871.96			.65	.65		
Sugar made, pounds	13,031,666.00	13,031,666.00	153.54	153.54				

TABLE 5.—*Effect of a 30-cent increase on wage rates per hour for items of cost and return, in Louisiana sugar mills, 1944 grinding season*

Items of cost and return	Average per mill		Average per ton of cane		Average per 100 pounds of sugar		Percentage distribution	
	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
General overhead:								
Labor	$12,735.70	$14,830.88	$0.15	$0.17	$0.10	$0.11	2.07	2.25
Depreciation	18,102.05	18,102.05	.21	.21	.14	.14	2.94	2.75
Other	19,215.69	19,215.69	.23	.23	.15	.15	3.12	2.92
Total	50,053.44	52,148.62	.59	.61	.39	.40	8.13	7.92
Procurement of cane:								
Cost of cane	352,110.13	352,110.13	4.15	4.15	2.70	2.70	57.24	53.47
Labor	7,132.91	11,435.15	.08	.13	.05	.09	1.16	1.74
Other	39,839.22	35,536.98	.47	.42	.31	.27	6.48	5.39
Total	399,082.26	399,082.26	4.70	4.70	3.06	3.06	64.88	60.60
Manufacture of sugar:								
Labor	52,236.82	85,024.15	.61	1.00	.40	.65	8.49	12.91
Other	32,769.24	32,769.24	.39	.39	.25	.25	5.33	4.98
Total	85,006.06	117,793.39	1.00	1.39	.65	.90	13.82	17.89
Mill maintenance costs:								
Labor	15,417.67	23,914.85	.18	.28	.12	.19	2.51	3.63
Other	22,884.88	22,884.88	.27	.27	.17	.17	3.72	3.47
Total	38,302.55	46,799.73	.45	.55	.29	.36	6.23	7.10
Selling costs	18,996.18	18,996.18	.22	.22	.15	.15	3.09	2.89
Interest	23,700.23	23,700.23	.28	.28	.18	.18	3.85	3.60
Total costs	615,140.72	658,520.41	7.24	7.75	4.72	5.05	100.00	100.00
Income:								
Raw sugar	490,460.59	490,460.59	5.78	5.78	3.76	3.76	81.81	81.81
Molasses	103,791.54	103,791.54	1.22	1.22	.80	.80	17.31	17.31
Other	5,294.59	5,294.59	.06	.06	.04	.04	.88	.88
Total income	599,546.72	599,546.72	7.06	7.06	4.60	4.60	100.00	100.00
Operating income	8,106.23	−35,273.46	.10	−.41	.06	−.27		
Net income	−15,594.00	−58,973.69	−.18	−.69	−.12	−.45		
Capital investment	474,005.00	474,005.00	5.58	5.58	3.64	3.64		
Cane ground, tons	84,871.96	84,871.96			.65	.65		
Sugar made, pounds	13,031,666.00	13,031,666.00	153.54	153.54				

TABLE 6.—*Effect of a 35-cent increase on wage rates per hour for items of cost and return, in Louisiana sugar mills, 1944 grinding season*

Items of cost and return	Average per mill		Average per ton of cane		Average per 100 pounds of sugar		Percentage distribution	
	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
General overhead:								
Labor	$12,735.70	$15,179.61	$0.15	$0.18	$0.10	$0.11	2.07	2.28
Depreciation	18,102.05	18,102.05	.21	.21	.14	.14	2.94	2.72
Other	19,215.69	19,215.69	.23	.23	.15	.15	3.12	2.89
Total	50,053.44	52,497.35	.59	.62	.39	.40	8.13	7.89
Procurement of cane:								
Cost of cane	352,110.13	352,110.13	4.15	4.15	2.70	2.70	57.24	52.89
Labor	7,132.91	12,151.99	.08	.14	.05	.09	1.16	1.83
Other	39,839.22	34,820.14	.47	.41	.31	.27	6.48	5.23
Total	399,082.26	399,082.26	4.70	4.70	3.06	3.06	64.88	59.95

TABLE 6.—*Effect of a 35-cent increase on wage rates per hour for items of cost and return, in Louisiana sugar mills, 1944 grinding season*—Continued

Items of cost and return	Average per mill		Average per ton of cane		Average per 100 pounds of sugar		Percentage distribution	
	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
Manufacture of sugar:								
Labor	$52,236.82	$90,486.40	$0.61	$1.06	$0.40	$0.69	8.49	13.59
Other	32,769.24	32,679.24	.39	.39	.25	.25	5.33	4.92
Total	85,006.06	123,255.64	1.00	1.45	.65	.94	13.82	18.51
Mill maintenance costs:								
Labor	15,417.67	25,330.26	.18	.30	.12	.20	2.51	3.80
Other	22,884.88	22,884.88	.27	.27	.17	.17	3.72	3.44
Total	38,302.55	48,215.14	.45	.57	.29	.37	6.23	7.24
Selling costs	18,996.18	18,996.18	.22	.22	.15	.15	3.09	2.85
Interest	23,700.23	23,700.23	.28	.28	.18	.18	3.85	3.56
Total costs	615,140.72	665,746.80	7.24	7.84	4.72	5.10	100.00	100.00
Income:								
Raw sugar	490,460.59	490,460.59	5.78	5.78	3.76	3.76	81.81	81.81
Molasses	103,791.54	103,791.54	1.22	1.22	.80	.80	17.31	17.31
Other	5,294.59	5,294.59	.06	.06	.04	.04	.88	.88
Total income	599,546.72	599,546.72	7.06	7.06	4.60	4.60	100.00	100.00
Operating income	8,106.23	−42,499.85	.10	−.50	.06	−.32		
Net income	−15,594.00	−66,200.08	−.18	−.78	−.12	−.50		
Capital investment	474,005.00	474,005.00	5.58	5.58	3.64	3.64		
Cane ground, tons	84,871.96	84,781.96			.65	.65		
Sugar made, pounds	13,031,666.00	13,031,666.00	153.54	153.54				

TABLE 7.—*Effect of overtime pay of time and one-half for 28 hours of an 84-hour week on costs of manufacturing raw sugar in Louisiana, 1944 grinding season*

Items of cost and return	Average per mill			Average per 100 pounds of raw sugar		
	65-cent minimum rate	70-cent minimum rate	75-cent minimum rate	65-cent minimum rate	70-cent minimum rate	75-cent minimum rate
General overhead:						
Labor	$14,481.52	$14,836.88	$15,179.61	$0.11	$0.11	$0.11
Depreciation	18,102.05	18,102.05	18,102.05	.14	.14	.14
Other	19,215.69	19,215.69	19,215.69	.15	.15	.15
Total	51,799.26	52,148.62	52,497.35	.40	.40	.40
Procurement of cane:						
Cost of cane	352,110.13	352,110.13	352,110.13	2.70	2.70	2.70
Labor	10,718.38	11,435.15	12,151.99	.08	.09	.09
Other	36,253.75	35,536.98	34,820.14	.28	.27	.27
Total	399,082.26	399,082.26	399,082.26	3.06	3.06	3.06
Manufacture of sugar:						
Labor	92,822.82	99,194.84	105,567.46	.71	.76	.81
Other	32,769.24	32,769.24	32,769.24	.25	.25	.25
Total	125,592.06	131,964.08	138,336.70	.96	1.01	1.06
Mill maintenance costs:						
Labor	22,499.70	23,914.85	25,330.26	.17	.19	.20
Other	22,884.88	22,884.88	22,884.88	.17	.17	.17
Total	45,384.58	46,799.73	48,215.14	.34	.36	.37
Selling costs	18,996.18	18,996.18	18,996.18	.15	.15	.15
Interest	23,700.23	23,700.23	23,700.23	.18	.18	.18
Total costs	664,554.57	672,691.10	680,827.86	5.09	5.16	5.22

TABLE 7.—*Effect of overtime pay of time and one-half for 28 hours of an 84-hour week on costs of manufacturing raw sugar in Louisiana, 1944 grinding season*—Continued

Items of cost and return	Average per mill			Average per 100 pounds of raw sugar		
	65-cent minimum rate	70-cent minimum rate	75-cent minimum rate	65-cent minimum rate	70-cent minimum rate	75-cent minimum rate
Income:						
Raw sugar	$490,460.59	$490,460.59	$490,460.59	$3.76	$3.76	$3.76
Molasses	103,791.54	103,791.54	103,791.54	.80	.80	.80
Other	5,294.59	5,294.59	5,294.59	.04	.04	.04
Total income	599,546.72	599,546.72	599,546.72	4.60	4.60	4.60
Operating income	−41,307.62	−49,444.15	−57,580.91	−.31	−.38	−.44
Net income	−65,007.85	−73,144.38	−81,281.14	−.49	−.56	−.62
Capital investment	474,005.00	474,005.00	474,005.00	3.64	3.64	3.64
Cane, ground, tons	84,871.96	84,871.96	84,871.96	.65	.65	.65
Sugar made, pounds	13,031,666.00	13,031,666.00	13,031,666.00			

TABLE 8.—*Summary of expected effect of certain adjustments in wage rates and overtime pay on the costs of manufacturing raw sugar in Louisiana raw sugar mills based on 1944 conditions*

Items of cost and return	Costs and returns per 100 pounds of raw sugar						
	Actual 1944 results	65-cent minimum wage		70-cent minimum wage		75-cent minimum wage	
		Without overtime	With overtime	Without overtime	With overtime	Without overtime	With overtime
General overhead:							
Labor	$0.10	$0.11	$0.11	$0.11	$0.11	$0.11	$0.11
Depreciation	.14	.14	.14	.14	.14	.14	.14
Other	.15	.15	.15	.15	.15	.15	.15
Total	.39	.40	.40	.40	.40	.40	.40
Procurement of cane:							
Cost of cane	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Labor	.05	.08	.08	.09	.09	.09	.09
Other	.31	.28	.28	.27	.27	.27	.27
Total	3.06	3.06	3.06	3.06	3.06	3.06	3.06
Manufacture of sugar:							
Labor	.40	.61	.71	.65	.76	.69	.81
Other	.25	.25	.25	.25	.25	.25	.25
Total	.65	.86	.96	.90	1.01	.94	1.06
Mill maintenance costs:							
Labor	.12	.17	.17	.19	.19	.20	.20
Other	.17	.17	.17	.17	.17	.17	.17
Total	.29	.34	.34	.36	.36	.37	.37
Selling costs	.15	.15	.15	.15	.15	.15	.15
Interest	.18	.18	.18	.18	.18	.18	.18
Total costs	4.72	4.99	5.09	5.05	5.16	5.19	5.22
ncome:							
Raw sugar	3.76	3.76	3.76	3.76	3.76	3.76	3.76
Molasses	.80	.80	.80	.80	.80	.80	.80
Other	.04	.04	.04	.04	.04	.04	.04
Total income	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Operating income	.06	−.21	−.31	−.27	−.38	−.32	−.44
Net income	−.12	−.39	−.49	−.45	−.56	−.50	−.62
Capital investment	3.64	3.64	3.64	3.64	3.64	3.64	3.64
Cane ground, tons	.65	.65	.65	.65	.65	.65	.65

Senator ELLENDER. I understand Mr. Smith, who was mentioned by Mr. Lane, is from out of town, and he would like to get his testimony in now.

Mr. SMITH. That is right.

Senator TUNNELL. How long will it take you, Mr. Smith?

Mr. SMITH. About 10 minutes.

Senator TUNNELL. Very well.

TESTIMONY OF JAMES IDEN SMITH, DAIRY FARMER, BUCKS COUNTY, PA.

Senator TUNNELL. Will you give your full name?

Mr. SMITH. James Iden Smith.

Senator TUNNELL. What is your work?

Mr. SMITH. I am a farmer—dairy farmer—from Bucks County, Pa.

Senator TUNNELL. Where?

Mr. SMITH. Near New Hope.

Senator TUNNELL. How far is that from Willow Grove?

Mr. SMITH. About 16 miles.

Senator TUNNELL. And Doylestown?

Mr. SMITH. About 8 miles. I farm 263 acres of land there besides running a dairy and some poultry.

Senator TUNNELL. You sell your milk in Philadelphia?

Mr. SMITH. No. At the present time our milk is sold in Doylestown.

Senator TUNNELL. But it goes to Philadelphia, doesn't it? Or do you just supply the local market?

Mr. SMITH. It is bottled in Doylestown and sold in Doylestown and the surrounding country.

Senator TUNNELL. All right. Give us your statement.

Mr. SMITH. I am in favor of S. 1349 because I have been farming since 1914, practically, and through all these years I have found that when the laboring people are getting a good wage, we farmers are able to dispose of our products at better prices and, therefore, we farmers are better off when labor is getting a good wage and the consumer can buy the products from the farms, and I believe that business generally is better off when the consumer, which is the laboring people, are better off.

And I also contend that my own wages—I am a working farmer—I not only manage the farm but I work on the farm—are better—and when the wages are high I have found that my own labor is worth more.

At the present time I can pay good wages to the labor that I am employing because I am able to dispose of all my products which are food products at war prices and am able to pay better wages to my labor.

Senator TUNNELL. What do you pay?

Mr. SMITH. $30 a week and privileges, which amounts to about $37 a week all told.

Senator ELLENDER. How many do you employ?

Mr. SMITH. I employ two full time besides myself.

Senator ELLENDER. To run 263 acres?

Mr. SMITH. That is right, and then we have two high school boys that help out during the summer season.

Senator ELLENDER. Most of the work is done by machine, isn't it?

Mr. SMITH. That is right. We have converted from horse and man labor to machine labor and one man does much more with modern machinery today than he did 30 or 35 years ago.

Senator ELLENDER. Sure. There are less horses to feed and things like that.

. I don't criticize you for the statement you are making, but in contrast I have about 120 acres in Louisiana and it requiress even families for me to run it. I can't use machinery as you do.

Mr. SMITH. Why not?

Senator ELLENDER. Because I am not big enough and I can't operate so well with machinery on account of the kind of land I own and the variety of crops I grow. For instance, I can't use a potato digger satisfactorily on my farm.

You say you have 263 acres?

Mr. SMITH. Plowed ground.

Senator ELLENDER. And you have two men you employ the year round aside from yourself?

Mr. SMITH. That is right.

Senator ELLENDER. What was the situation before the war? How much did you pay then, do you remember?

Mr. SMITH. 1939, you mean, along in there?

Senator ELLENDER. Yes; before the war.

Mr. SMITH. $25 a week.

Senator TUNNELL. And privileges. What does that mean?

Mr. SMITH. Milk, house rent, electric bill, fire wood.

Senator ELLENDER. They live on your farm, I guess.

Mr. SMITH. That is right, land for a garden and a place to keep chickens.

Senator TUNNELL. They save money, don't they?

Mr. SMITH. Yes; they do.

Senator ELLENDER. During harvest you employ how many?

Mr. SMITH. Two high-school boys.

Senator ELLENDER. Well, if I could only farm that way in Louisiana I'd get rich overnight with the fertility of the soil as it is.

Mr. SMITH. You had better come up to our section.

Senator TUNNELL. There are some untilled farms there, I expect.

Mr. SMITH. A great deal of untilled land in Bucks County.

Senator TUNNELL. You could take on the Senator, then.

Mr. SMITH. We could take on a great many of the boys coming back from the Army, and also those that are coming out of industry, and give them jobs at good wages.

Senator ELLENDER. Who owns all that land around there? Is it for sale?

Mr. SMITH. It is for sale but the price is rather high at the present time.

Senator ELLENDER. How much is land of the kind you work worth, just the land itself without improvements?

Mr. SMITH. That is hard to say, probably $100 or $150 an acre.

Senator TUNNELL. It is pretty good land, isn't it?

Mr. SMITH. It is good land.

Senator TUNNELL. Limestone soil, is it?

Mr. SMITH. No; not what I am on. There is some limestone soil above us.

Senator ELLENDER. You say you have a dairy?

Mr. SMITH. Yes, sir.

Senator ELLENDER. How many cows?

Mr. SMITH. I have 35 milk cows and 30 heifers, 150 chickens.

Senator ELLENDER. How do you milk them, by machine?

Mr. SMITH. By machine.

Senator ELLENDER. You are a modern farmer.

Mr. SMITH. I can remember when we farmed the other way, though. And with machinery we have to pay better wages in order to distribute the products of our farms and our factories, and a 65-cent minimum is very low if we are going to do that.

Senator ELLENDER. In the cane fields of Louisiana a mechanic, the same as you have on your farm, doesn't get anything under $30 a week; I am talking about the farm laborer who does all hand work like hoeing beans and hoeing onions and the like that we have to do down there.

Mr. SMITH. That is hard work too.

Senator ELLENDER. And it is costly if the wage is too high, as you know.

Senator TUNNELL. They have to eat though, don't they?

Mr. SMITH. We have plenty of vegetable growers in Bucks County but they use machinery also.

Senator ELLENDER. I don't suppose they have as much rainfall as we do and so much luxurious grass.

Mr. SMITH. We suffered with the drought last year and the rain this year. Much of our crop spoiled this year because of lack of labor to take care of it.

Senator ELLENDER. As a result of the war and also high wages we have many sugar planters who are able to buy a machine to cut sugar-cane and the machine will save the work of 57 men. It can be operated by three workers. That means a saving.

The average cane cutter gets $2.50 or $2.75 a day at the moment. So if you multiply $2.75 by 57 it will give you the saving that one machine can afford to a farmer who has sufficient acreage to operate one successfully.

To operate that machine the three operators get about, I suppose, $4 to $5 per day for 8 hours, or maybe $6.

Now, when it comes to gathering the cane after it is cut there is a machine operated by one man that saves the work of 23 men at $3 a day. You can readily see that with machine work as in your case a farmer can afford to pay as much as $10 a day for an operator and save $3 times 23, as was the case before this new machinery came into effect.

Mr. SMITH. But he has to have more experienced help.

Senator ELLENDER. And that is why he is able to pay more just as in your case.

Senator TUNNELL. Is it your idea that you have to use machinery to compete?

Mr. SMITH. We do; yes.

Senator ELLENDER. You would have to.

Senator TUNNELL. Why do you use machinery?

Mr. SMITH. Because we can operate the farm so much easier by machinery.

Senator TUNNEL. It is the only way you can operate it, isn't it, in competition with your neighbors?

Mr. SMITH. That is right. But it also should make it possible to pay the labor that operates these machines better wages so that we can distribute the products of the farm and the factory.

Senator ELLENDER. Have you any small farms in your section?

Mr. SMITH. Oh, yes.

Senator ELLENDER. How many acres are in a farm you classify as a small farm?

Mr. SMITH. Twenty-five or forty acres.

Senator ELLENDER. Are farmers operating farms of that size able to afford machines?

Mr. SMITH. They have machinery to operate. There is machinery to operate that kind of farm and there are also custom workers that take care of any crops that are seasonal.

Senator ELLENDER. What has been the tendency in your section as to the size of farms? Have they grown in size much?

Mr. SMITH. Yes, indeed. One farmer will operate his own farm and two or three other farms.

Senator ELLENDER. And this machine age has made it possible for a man to operate many more acres with fewer employees and, of course, lesser costs per unit.

Mr. SMITH. We could never have carried on this war if we had not.

Senator ELLENDER. I am not arguing that. It is a fortunate thing we had, because the record shows that with 6,000,000 less workers we produced one-third more food than before the war, and that is to a large extent attributable to the machinery used on the farm.

Mr. SMITH. Yes.

Senator ELLENDER. And the soil-conservation program.

Mr. SMITH. But I think that now we can take a lot of workers back on our farms and use them profitably.

Senator ELLENDER. Could you use more than you are using now?

Mr. SMITH. Yes, sir.

Senator ELLENDER. At a profit?

Mr. SMITH. I could use one or two.

Senator ELLENDER. You would work more land?

Mr. SMITH. Not only work more land but we would do the job better.

Senator TUNNELL. Thank you very much, Mr. Smith.

We will now recess until Tuesday at 10 o'clock.

(Whereupon, at 12:10 p. m., the subcommittee recessed until Tuesday, October 23, 1945.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

TUESDAY, OCTOBER 23, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON
EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424, Senate Office Building, Senator James M. Tunnell presiding.

Present: Senators Tunnell, Ellender, and Smith.

Also present: Charles Kramer, consultant to the committee.

Senator SMITH. Mr. Chairman, before General Johnson starts his testimony, I would like to state for the record my personal gratification that he has seen fit to come here and testify.

He is an old friend of mine, and I welcome him here, and especially his giving us the benefit of the long experience he has had with this important subject.

General JOHNSON. Thank you very much.

Senator TUNNELL. I have every reason to believe General Johnson is capable of discussing this subject. I have heard him before.

General JOHNSON. Thank you, Mr. Chairman.

Senator TUNNELL. All right, General Johnson.

TESTIMONY OF ROBERT WOOD JOHNSON, BRIGADIER GENERAL, ARMY OF THE UNITED STATES, RETIRED; CHAIRMAN OF THE BOARD OF JOHNSON & JOHNSON, NEW BRUNSWICK, N. J.

General JOHNSON. Mr. Chairman, I have not many notes. I might say first of all I am particularly gratified that you have changed the room. I do not feel as much like a bug under a light as I did in the other room.

With your permission, I have a statement which will take only about 5 minutes to read, and then I should be delighted, of course, to discuss any phase of it.

Senator TUNNELL. Just proceed in your own way, General.

General JOHNSON. My name is Robert Wood Johnson. I live at Princeton, N. J.

As I understand the purpose of this hearing, it is to discuss the plight of the underpaid. We are not here to consider questions of collective bargaining or those who are earning a fair and adequate wage.

The proposals embodied in the amendments to the Fair Labor Standards Act are not aimed to raise the general wage level of the United States, but rather they are aimed to correct certain social and economic distress growing out of substandard wages.

There have always been more underpaid employed than unemployed. I suppose it would be fair to estimate that given 6 to 8 million unemployed, we would in the past expect 15 to 20 million underpaid.

I suggest that this committee should take the position that the average American workman cannot keep body and soul together on less than $30 per week anywhere in the United States. On the basis of a 40-hour week, I, therefore, am compelled to recommend a 75-cent-per-hour minimum wage throughout the Nation. On the score of exceptions—and there will be many who dwell exclusively on that feature of the problem—we might assume the exemptions of apprentices, perhaps those under 21 years of age.

It can be said that a large portion of our underpaid are unmarried and that single individuals can exist on less than $30 a week. It is well to add, however, that the great majority of single men and women have responsibilities to parents, brothers, sisters, and relatives that are frequently comparable to those of the head of a family.

I suppose it is impossible to discuss any question of wages, even the establishment of fair minimums, without some consideration of the broader economic aspects of the relation of wages to costs. It is a great surprise to me to learn that this outstanding feature of American economy is so little understood.

Some will say that industry moves to low-wage areas. This is a fallacy. Factories move to markets, not to low-wage areas.

We are surrounded every day from morning to night with thousands of examples that go to prove beyond discussion that the most outstanding characteristic of our country, in terms of economics, has been its accomplishment in the field of production and distribution. On every side we see the proof of the ability of this country to pay higher wages and sell at lower costs. This equation needs no proof beyond the record of the past 50 years.

At times we hear of the loss of export markets through our efforts to correct the substandard wage. Apparently those who oppose reasonable minimums for such reasons have failed to realize that the products able to pay transoceanic freight, overcome tariff walls, pay the high price of export selling, and compete with cheap native labor are almost exclusively the products of our high-wage industries.

Of course there are exceptions, and we must acknowledge the fact that the components of industry and commerce differ one from the other. In some industries the wage factor is very low, and in others it is quite high. But here again I should like to remind the committee that we are dealing with minimum wages and the plight of the underpaid, the substandard wage earner not reached through union organization, and that his problem cannot be adequately corrected through State legislation. Only a courageous and realistic Federal law can do the job.

It will be better if we come to realize that in discussing this question of a minimum wage we are covering the field of commerce, industry, services, and agriculture. For many years the question of wages has been attached in the public mind to factories, and factories alone. I am told that factories have never employed as many as 25,000,000 wage earners, and that in the future the percentage of factory employed in relation to the total employed will probably decline.

While I appreciate that this committee is giving its attention almost exclusively to the question of minimum wages, it would seem only proper to bring before you that at some later date we must consider the question of hours. I doubt that a 40-hour week will solve our problem, and, therefore, recommend to you that a part of your staff be assigned the task of preparing legislation for a 36 hour week and a 30-hour week. Commerce, industry, the trades and services as well as agriculture would be classified into three major divisions—those operating on a 40-hour week; those, on a 36-hour week; and those, on a 30-hour week.

Senator ELLENDER. At what rate of pay?

General JOHNSON. In each instance the same minimum wage, the $30 a week, would apply in all of the divisions.

Senator ELLENDER. Farmers also?

General Johnson. Yes.

Senator ELLENDER. How about the earnings of the farmer?

General JOHNSON. May I come back to that, Senator?

Senator ELLENDER. All right.

General JOHNSON. One method of establishing the workweek for a given business would be the percentage of labor content in the gross cost. In other words, to pick a figure out of the air, if the labor content was in excess of 50 percent, that business would be given a 40-hour basic week. If under 50 percent but above 35, the business would be given a 36-hour week. And if under 35 percent, the business would be given a 30-hour week. In each instance the same minimum weekly wage of $30 per week would apply in all three divisions.

For those seasonal industries that cannot rapidly be adjusted to these hours, it is suggested that in any and all divisions business be allowed to operate for any 8-week period during the year at a maximum of 10 hours overtime per week to be paid for at double time. And for these extreme cases which require a further extension for a short period, I offer the suggestion business be allowed an additional 10-hour period for 4 weeks a year to be paid for at the rate of triple time.

Even today we occasionally meet a man who believes that working less than 48 hours a week is somewhat sacrilegious—that it is wrong in principle. Let us look at the record in this respect.

Throughout most of Christian history, the Western World was influenced by the laws of the church, and it has been found that in those days the church allowed about 100 holidays a year. It was only when the industrial era began in England that the sweated days of 14, 16, and 18 hours came into vogue. And when children were forced to work those hours for starvation wages. We have come a long way since then, but why should we stop now?

What we are really doing is to create a new code of business ethics with the aid and guidance of our Federal Government. It would be hard to imagine a more important task nor one that would make a greater contribution to the world. All observers have long ago concluded that it was the underpaid, the unemployed, and the destitute of Europe that caused the political upheavals which led to this great war. We have come to a time when we can honestly say, at least in our country, that man does not have the right to employ his fellow man unless he can pay a subsistence wage.

Recently I found that the Reverend Donald A. MacLean said that—

> the well-being and perfection of each person is intimately bound up with the welfare of all. Nature has so decreed and there is no other road to the real liberty, the higher welfare, perfection, and happiness of men.

Someone else has said:

> None but the brave would be able to fashion that future, and none but the brave deserve it.

Senator TUNNELL. I want to ask your opinion about the suggestion of different rates of pay for the man with dependents and the man without dependents.

If we proceed on the theory that a laborer earns his hire, you cannot distinguish between pay because of his dependents or lack of them.

General JOHNSON. I do not think you should.

May I try to answer Senator Ellender?

Senator TUNNELL. Go ahead.

I did not catch his question.

General JOHNSON. His question is a very fundamental and a very important one.

It is the question of relation of farm wages to industrial wages.

Now, there can be no doubt that the habit in the past throughout a good deal of agriculture has been to pay lower wages of necessity. In recent times there have been some very high wages paid in agriculture to pickers and other people who move in on crops and are given very high wages——

Senator ELLENDER. Piece work?

General JOHNSON. Yes.

There would be no doubt whatsoever that where you give a man food, lodging, and many other things that go to compensate for wages, there would have to be some adjustment in the money value of workers.

Just how to arrive at it, Senator Ellender, I do not know, but I do not think we can avoid it. If we want to give a man a house instead of money, all right, but I cannot find an area in the United States where the average workman with the average family responsibilities can today keep body and soul together for less than $30 a week.

Senator SMITH. You mean with a family, do you not, General Johnson; you do not mean a single man.

General JOHNSON. I think the question of the single man, Senator Smith, is more illusory than real. It is true that there are many irresponsible single individuals, but there are likewise irresponsible married men. These single individuals in many instances have responsibilities which are equally as great as those of a married man.

Senator SMITH. You are suggesting that they may have parents or relatives, and in the long run the average is about the same, whether single or married, that they probably would have about the same number of dependents.

General JOHNSON. Yes. I think as to dependents, that is true.

Senator SMITH. Don't let me interrupt you in answering Senator Ellender.

General JOHNSON. Senator Ellender's question is one of the hardest ones to answer that I expect to be asked——

Senator ELLENDER. Let me ask you this question, which is along the same line: We have in this Nation of ours millions of people engaged in teaching school. They depend for theirs on what the taxpayers are willing to assess themselves for, as you know.

Take in my State, or the State of Mississippi, facts have been brought forth to show that the State of Mississippi could use every dollar of tax money now collected, including money collected on gasoline and other things, now dedicated to road building, and with all of that, a school teacher in that State would not be paid as much money as a school teacher is paid in the State of New York.

Now, I know that in that section of our country the school teachers are paid on an average of about $650 a year; that is for 9 months' work, and the rest of the time they do not do much, but they must eat.

How would you take care of those?

You of course understand that by carrying out your theory of elevating all of these poor people so that all of them can obtain a minimum of $30 a week, that in doing that you are bound to trample on the toes of many in the course of accomplishing such a feat. You are bound to adversely affect the lives of many groups by taking care of a few special groups.

How would you ameliorate the situation for those persons not protected under the pending law?

General JOHNSON. Let us go back.

You said that in this business of taking care of the wage earner, we would find some other adjustments necessary. Now, let us see who this wage earner is, Senator Ellender, and his dependents. One way to look at it is something like this: That something like 95 percent of all the people in the United States are either wage earners or their dependents.

By dependents, I mean the merchant who sells his product to the wage earner is a dependent of the wage earner. So, we are not taking a special group, but the largest group in the United States.

Senator ELLENDER. No; but you cannot under the bill that we now have under consideration help groups like school teachers and the large percentage of the working people engaged in distributing what you make and what the farmer produces.

General JOHNSON. Agreed.

Senator ELLENDER. Think of all the storekeepers, the clerks in the stores, the clerks in the wholesale establishments, those who sell automobile parts, in fact, all of those engaged in business which is considered intrastate business, and who are excluded from the bill; you cannot protect them by this bill and yet you are making it so that the things they buy go up in price, their living costs are raised, and there is no way by which you can make them catch up in their income as you are attempting to do with the so-called underpaid industrial worker.

General JOHNSON. First, as to the school teachers, I must say I do not know much about educational matters since my own education was somewhat limited. I am not very good on educational systems.

But if school teachers are underpaid, that stands as a problem. I cannot offer a solution, but it is a problem in and of itself.

Now, I do think if the earnings of the people of Louisiana are increased, their ability to pay taxes which would pay school teachers, is somewhat enhanced.

I am somewhat interested that you bring up the question of clerks, because, broadly, in many retail establishments—and many of them

are my customers and may not like this statement—but it remains true just the same that they are among the most underpaid and overworked people in the United States.

Laws made long ago made it impossible for men to work 80 hours a week, but those laws do not apply to some of these situations and they darn well should. And we have a situation wherein it is so bad that if we create a decent minimum wage for a laborer, we put on the table the fact it is more than we pay our clerks.

I say, let us pay the wage earners a decent salary, and if that means the clerks have to get a wage increase, let us give it to them. Do not lower the clerk to the lowest common denominator.

Senator ELLENDER. But all of that leads to higher prices and higher cost of living.

General JOHNSON. To a degree.

I heard Mr. Secretary Schwellenbach saying this thing would result in an increase in prices, as he expressed it, across a narrow band, and I heard Mr. Chester Bowles make a similar statement.

I am not quoting them, but I was present and heard them say it, and I think it will increase prices some. However, I am prepared to discuss the textile industry, which I have been working in since I was 16 years old. There is an industry with a labor content of approximately 50 percent. A 10-percent increase in wages might call for an increase of price of something between 3 and 5 percent.

But the answer to inflation is production and not control. Your control gets away from you just the same as it did in prohibition; it makes you want more whisky and not less. Any encouragement within the realm of reasonableness we can give production, so much the better. I think this country would be glad to pay a 3 to 5 percent increase in textiles if that is what is meant.

Senator ELLENDER. Let us take the lumber industry.

As you know, the work in that industry, the labor cost, is well over 50 percent.

General JOHNSON. I do not know much about the lumber industry, Senator Ellender, but assume it is——

Senator ELLENDER. The record shows that 58 percent of those employed in the entire lumber business are receiving less than 65 cents an hour at the moment.

General JOHNSON. I remember, Senator Ellender, when you and I worked together on certain small lumber mills in the South, which they call peckerwood lumber mills. Let us see what happened.

When the Government came along and spread a lot of big, shiny stuff through the South and paid wages, which I have no comment on, except that they pulled all of the men in the woods off lumber, and I was supposed to help get more lumber.

Now, if the lumber people in the peckerwood sawmills get 40 cents an hour, and Uncle Sam pays some floor sweepers 80 cents or a dollar, do you expect the fellow to stay in the woods?

The answer was no, and so we did not. It meant that the wage for sweeping the floor was too high, but it is also true that the other wage was too low.

Senator ELLENDER. As you know, General Johnson, what the Labor Board did was to fix a floor at 55 cents——

General JOHNSON. Yes.

Senator ELLENDER. That was in February 1945.

General JOHNSON. Yes, but that was after the horse had been gone about 4 miles.

Senator ELLENDER. Yes.

Now, let me ask you this question: If the War Labor Board was unable to fix the floor at a greater sum than 55 cents an hour without disturbing the existing price structure and without having to change the stabilization program as it had been worked out during the war, how do you expect the structure to be maintained if we jump minimum wages up to 75 cents an hour overnight?

Senator TUNNELL. Let me suggest this to you, General Johnson, if you do not know it: When the Senator talks about holding the price structure, let me say that lumber has jumped from $15 or $20 a thousand to $60 a thousand.

That shows how much the price structure has been held.

General JOHNSON. I do not want to be in the middle of a battle of giants.

Senator ELLENDER. I am talking about the present structure. Both wages and the price of all commodities have increased considerably since 1939 the year the Second World War started.

General JOHNSON. This is a kind of a bad place, but still here goes:

Broadly we have done a very good job at controlling the price structure, but everywhere else I go I find if a fellow wants to build a house badly enough, he builds it just the same as he would get corn liquor or anything else that has been scarce or forbidden. Legally or illegally, our people do not react too well to some things. I do not think the price structure has been held at all, Senator. Of course, in some departments it had to be, where we had national shortages, such as tin, tungsten, rubber, and things that came from beyond our shores. There is a center in this price structure that is lacking if we are to go over into general economics.

Recently, in a business I was interested in, the Army chose to order as much of a certain product as when they had an Army of 8,000,000 men. If you are going to let the Government take all of the supply, forget about the other regulations—that has more to do with increasing the price structure than anything Chester Bowles can do to hold it down.

I know the price of lumber has increased tremendously. Whether the industry can pay decent minimum wages or not, I do not know, but I do know that the American workmen at large do not want to buy lumber made by underpaid people; in fact, none of us do.

Senator ELLENDER. Where do you get that information?

General JOHNSON. Just by going around. I do not get it from Government statistics, if that is what you mean, but just from going around.

Senator ELLENDER. I am just wondering how they can tell who made it.

Would the same argument apply to anything else?

General JOHNSON. Yes, sir.

I think there has been a great deal of emphasis put on minimum wages; I think everybody wants it, the workman and everybody up the line.

Senator ELLENDER. Let me make it plain that I am not arguing against decent wages; I am for that just as much as anybody else,

and I am hoping that labor will be able to maintain its basic hourly wages that were attained by it during the war.

General JOHNSON. Very interesting.

The trouble is it was too spotty. We will have some peoeple out——

Senator ELLENDER. Things like that can be adjusted.

General J HNSON. That is what we are doing here.

Senator ELLENDER. That is where we differ.

I take this position: I saw a statement some time ago showing that during the war—from 1938—wages in general rose 83 percent. Well, now, if labor can retain that goal and stop at that, it would result in a great victory. Industry, both industrial and agricultural, can and should decrease the cost of production so as to help take care of losses sustained by labor because of less overtime pay. I am quite certain that within the next 6 months the cost of living will decrease to such an extent as to take care of the losses sustained by labor by having less take-home pay.

General JOHNSON. Yes, Senator; but we are considering here, not the general rights of wage earners but also those who were left out, those that were not defended by unions or whose wages due to other circumstances did not increase. We have in this country, according to statements recently made, some 10,000,000 people who are earning more than 65 cents an hour.

There are a lot——

Senator ELLENDER. Unless you have got more than that; that is just a drop in the bucket.

General JOHNSON. If that is so, then that makes it worse.

Senator ELLENDER. Sure.

If you consider those you cannot reach by this legislation, the clerks, the school teachers, the pensioners, and public officials by the millions, county, municipal, State, and Federal—you cannot reach them by a bill of this kind, and yet you are making it so that their living costs are increased and there is no way for them to be protected.

General JOHNSON. Do we not reach them indirectly, Senator Ellender?

Senator ELLENDER. I do not see how.

If you had been a member of a State legislature and saw how some of us have sweated to get the mere pittance that the school teachers are now being paid, you might change your mind about it.

General JOHNSON. It is tough.

Senator ELLENDER. I know it is, and there is no way I know of to assist them.

I do not recall what position Senator Tunnell has taken in Federal aid to education, but ever since I have been in the Senate we have been trying to get Federal aid for our public schools.

Senator TUNNELL. I made a speech in favor of it, but you people from the South voted it down.

Senator ELLENDER. Voted what down?

Senator TUNNELL. Federal aid. You voted it down because of the antidiscrimination provision. We would have had plenty to put it over with if it had not been for that one thing.

Senator ELLENDER. Yes; and when the time comes that I vote to put my children and the children of the South in the same schools and let them go to the same colleges with colored people, we will just do without it.

Senator TUNNELL. I do not think it went that far.

Senator ELLENDER. Yes, it did.

Senator TUNNELL. I disagree.

I know it did not, but we will not argue that now.

Senator ELLENDER. It would have led to that. As I was saying, we have been trying to equalize that situation.

In other words, we have in the South the children and the Northeast has the money. What I was striving to do and what others of us were striving to do, was to get some of that money to help alleviate the situation in the South, but all to no avail.

Now, since we have failed in that, and by the process you are now advocating, we increase the cost of living to those employees, you can see you are making it worse for them.

General JOHNSON. Senator Ellender, this involves a very wide problem, so I am going to be specific and talk about my own business.

The industrial taxpayers in the South for the past 50 years, generally speaking, have been relatively low.

Senator SMITH. Would you state what your business is, General?

General JOHNSON. In this case, my business is the operation of the Chicopee cotton mills in Carolina and Georgia.

Senator ELLENDER. How many mills do you operate?

General JOHNSON. One in Carolina and one in Georgia.

Senator ELLENDER. What becomes of your output?

General JOHNSON. It goes to various places, some to Johnson & Johnson, and some to the market, and some to dry-goods houses, wholesalers in various forms, and distributors of all kinds.

Senator ELLENDER. You own Johnson & Johnson; that is, your establishment?

General JOHNSON. Yes.

Senator ELLENDER. What percentage of your output is sold to Johnson & Johnson?

General JOHNSON. It depends upon the year. Roughly, over the years, it has been my policy to use less than 75 percent of that production.

Now, in some years, they have sold 50 percent to others, and some years less.

When the war came along, it was necessary to move over and use more of it. But those cotton mills are in a completely competitive position, if that is what you are getting at, Senator.

Senator ELLENDER. Johnson & Johnson was established before you put up these mills?

General JOHNSON. These particular mills, yes.

Senator ELLENDER. And you were purchasing from the market all of the requirements of Johnson & Johnson?

General JOHNSON. No; we purchased from other mills, too.

For instance, this new mill that we are building at Cornelius, Ga., which makes a screen that the Marine Corps used, even that portion that is sold to my own company—many years ago I insisted that such mills as we owned should sell us at under the market, and I did that for a special business reason. I felt for some years I had fooled myself on what the mills made, and that if they did have to sell under the market, the profit would be a real one.

So those mills are completely competitive, and I am proud of the fact that they operated without interruption during the depression.

But coming back to the question of industrial taxation, which has to do with the salaries of school teachers, industrial taxation has been lower in the South, and yet, has it attracted industry? What has been the record?

It has attracted a portion of the textile industry and a few furniture factories.

This afternoon there are more factories being built in the metropolitan area of New York, New Jersey, the Midwest, and the Chicago area, than in all of the South together.

Factories move to places where taxation is high and not low.

Among other things that might aid to better salaries for school teachers would be a higher corporate tax. Nobody wants to operate in a place where school teachers are underpaid.

As an example, pick out myself; tax me more—and everybody else——

Senator ELLENDER. I thought you would add that.

General JOHNSON. Don't you think it is better?

Senator ELLENDER. Yes, but if you will go to Mississippi, you will see how far you can get. I have worked with the Louisiana State Legislature and I know the forces working against it. Even though you appropriated the whole tax collection of the State of Mississippi, which amounts to about $50,000,000 to $55,000,000, as I remember the last figures, that would hardly be sufficient to pay Mississippi school teachers a decent wage, according to your standard; it would not pay them the amount you are now advocating for industrial labor.

General JOHNSON. But, Senator Ellender, because we have an unbalanced school-teacher situation, and we will admit it is very real and difficult in certain places, is that a reason for not having a fair minimum wage for the great mass of American wage earners?

Senator ELLENDER. When you say "great mass," you are wrong about that because the number of workers throughout the country today engaged in industry is only 23 percent of all workers; the farmers and farm hands account for about 27 percent; and those engaged in distributing the products of the farm and industry account for about 42 percent. So you are taking care of less than one-fourth of those who work.

General JOHNSON. I would like to be corrected on this if I am wrong, but as I understand certain recent interpretations by the Secretary of Commerce on the score of inter versus intra state commerce, that the interpretations have all been in the direction of a broader application of the word "interstate," to the degree that the great majority of industrial and commercial establishments of any size are held to be operating in interstate commerce, even to the extent of large merchandising establishments which purchase their goods from over State lines, and so forth.

Senator ELLENDER. But that is in industries.

All of those employees are making the goods. I am talking about those who distribute them.

General JOHNSON. Does not the same apply?

Senator ELLENDER. Oh, no; the storekeepers, those engaged in the wholesaling of merchandise are not covered by this bill. In fact, many others too numerous to mention are not affected by the bill.

General JOHNSON. Senator Ellender, do you not think a better minimum wage would have a tendency to increase the earnings of clerks?

Senator ELLENDER. If we could provide for all of them, but we cannot do so under this bill.

General JOHNSON. But even if you raised the wage of the industrial people and the distributing establishments, would it not have a tendency to raise the salaries of others?

Senator ELLENDER. It will have that tendency, no doubt, but my prediction is, if that course should take root, it will raise the cost of living to such an extent that the gains made will soon be absorbed. In other words, if all wages are raised in proportion to that provided for in the bill, the employees you are attempting to benefit will not be better off, because more dollars will be required to buy much higher priced goods.

General JOHNSON. Now, that comes back to the broad question: Do high wages result in higher costs, and there you have to separate it, Senator Ellender, and really break it down into its component parts.

In some industries, to a large degree, and in others to no degree whatsoever. There are many industries where the labor content in the final cost is under 5 percent.

There, by common consent, we can do a lot of things.

In another industry, it is very much higher. But you cannot get away from one thing—I do not like to pick out an individual, but the most dramatic is the case of the original Ford car. Millions of these cars went by your door every day for 25 years, carrying with them the great economic significance of higher wages and lower costs.

As you look around the world and see the product of world industry, and compare the prices of American products, we are forced to the conclusion, broadly, that our people over the past 50 years have shown to the world that we could pay higher wages and could produce at lower than world cost, yet we pay higher than world wages, and could produce at lower than world cost.

I can pick out many fields where that is not true, but broadly it is true.

Senator SMITH. If that is true generally, General, why do we need a tariff?

General JOHNSON. In many cases it is a cultural lag, Senator Smith. I realize it is very difficult to write a rule in Washington, and we do have to have rules, but the unfortunate part of it is that in applying them straight across the board, we constantly come to contradictions, but in this case we are talking only of minimums.

It is true, as Senator Ellender pointed out, and it is an unfortunate truth, that while a minimum wage for certain industries would be acceptable, there are certain other industries that have such a low wage that even a minimum wage affects a broad wage level.

We must reach a point in our industrial development where a man cannot employ his fellowman for less than sustenance wages.

Senator TUNNELL. That is where you are on sound ground, I think.

General JOHNSON. Now, if industry says it cannot afford it, why not ask the question: If we have an industrial situation where we cannot pay a sustenance wage, we had better look into it.

Senator SMITH. I agree on that. I think it is true, and I think one of the most interesting points you make is whether we can put a floor and say, "Below this floor nobody can be employed." That is going pretty far, but I think we will have to do it if we are going to support

the minimum wage legislation, and that when you speak so eloquently for the 75-cent wage, would you go to that at once or do you feel it should be the goal of a number of progressive steps so that industry can adjust itself to it, knowing it may be ahead of us as the bill contemplates? The bill calls for 65, 70, and 75, ultimately. Do you think we should go to the 75 cents right away?

General JOHNSON. I would like to ask a few questions. Had I been sitting in all of your sessions, naturally I would have understood certain things I do not understand. You have had industry come before you, and many other people. I am sure you would be given many situations where a 75-cent minimum wage would be highly disruptive and that you should go by steps from 65 to 70 to 75. So your position would be untenable in one sense. However, I am sure if you went to the Red Cross, the churches, the YMCA, the YWCA, the Department of Labor, the chamber of commerce, the NAM, or anybody you can think of, fancy or otherwise, and ask them without regard to wages what a decent minimum level would be, there would not be anyone who would come out with under $30.

That is why our position is untenable; you are really approving a wage which we know is not enough. We may still have to hold it at 65 and then go on up to 75.

Senator SMITH. You are suggesting a philosophy I have been giving thought to, and that is the situation where a new industry starts and has to finance itself, do you think it should contemplate paying 75 cents, irrespective of the fact of what may show in its production possibilities, and gear its whole show so as to maintain that?

General JOHNSON. Yes.

Senator SMITH. I agree with you if we can do it and maintain production and employment. That is a new concept, but I think it is a sound objective. I think that should be done rather than taking the old position of what is the cheapest you can get labor for. I think for us to buy labor as a commodity without regard to living standards is a terrible thing. I am interested in your suggestion that we start with a floor and say we will not permit new industries unless they can finance themselves and make their whole picture geared to that basis.

Now let me ask you this further question: Assuming we could move along the lines you are suggesting toward higher wages—you say this bill is only aimed at the minimum—is it not inevitable if we set the minimum, that the other classifications all of the way up will expect a corresponding increase so that you cannot say you are bringing it up to the minimum, but to the percentage this minimum bears to the old minimum?

General JOHNSON. I think that is partly true, and it differs again between industry and industry. It will have some effect on increasing some of the higher brackets, in some cases broad and in other cases moderate. It depends on the situation. But, coming back to your first premise, it is surprising to me that the results of modern industrial engineering are not better understood.

Now, is it permissible to ask for something off the record?

Senator TUNNELL. It is all right.

(Discussion off the record.)

Senator ELLENDER. Let me ask you this: How long have you been in business?

General JOHNSON. Since I was 16, and I am not going to tell you how long that is.

Senator ELLENDER. I am talking about the cotton mills, those two cotton mills you spoke of.

General JOHNSON. I went to work in the mill originally in New Brunswick, I suppose, 35 years ago. Then we moved to New Hampshire and then to Georgia, and so forth.

Senator ELLENDER. Am I to understand that the cotton mills have been put up by you 35 years ago?

General JOHNSON. My father put them up—not this one you are talking about in Georgia, but others.

Senator ELLENDER. But the ones you put up, about 75 percent of their production goes to Johnson & Johnson—when were they put up?

General JOHNSON. By stages, over the years.

Senator ELLENDER. What is the minimum wage you pay now in those mills?

General JOHNSON. Mr. Dixon is here and has those figures. Our tradition is 10 percent above average.

What is the minimum wage?

Mr. DIXON. 65 cents in the North and 55 cents in the South.

Senator ELLENDER. Why do you not pay more than 55 cents?

General JOHNSON. Because our competitors do not, and we can only go so far. In other words, we can pay a 10 percent premium over other people, but not 50 percent.

Senator ELLENDER. Why can you not do it; is it because of the rulings of the War Labor Board?

General JOHNSON. I don't know about that, but we cannot because our competitors do not; is that clear?

Senator ELLENDER. No; it is not. You said a moment ago that by paying high wages you were able to get so much more production out of your workers—that was in your statement off the record. I am wondering why you do not follow that policy.

General JOHNSON. We do. Those firms have always paid 10 percent above the average no matter where they were, North, South, or Middle West. We can go that far but we cannot go beyond it unless you help us. There is only one reason for low wages, and that holds good whether in the North or the South, and that is what the fellow down the street pays.

Senator ELLENDER. Would you mind giving us the increase in the number of employees that you have employed in the last 10 years?

General JOHNSON. Well, that would be a guess, but it amounts to this. Let us take the depression period. When I went to work we had 30,000 spindles, and now we have 180,000. There has been a steady increase in the number of spindles and in the people employed.

Senator ELLENDER. As I understood the other day, and if I am wrong correct me, the increase in the number of employees was from 25 to 30 percent.

Senator TUNNELL. In what?

Senator ELLENDER. The number of people employed over a period of 10 years.

General JOHNSON. I think that is probably right.

Senator ELLENDER. How much has your production increase been with that increase in labor?

General JOHNSON. More than that.

Senator ELLENDER. I understood it was about 200 percent.

General JOHNSON. No; you cannot do that. In some business you can and in some you cannot. Take a cotton mill. By dint of the finest management you can eke out an improvement in the operation of a well-managed cotton mill. That is as far as you can go. In another business you can invent a machine or something——

Senator ELLENDER. That is the next question I was coming to, General Johnson. You talked about Ford a while ago and you talked about your own business; is it not due to the fact that so many labor-saving devices have been used by you and are now being used by Ford and others that has made it possible for the cost of production to decrease so rapidly in the past few years?

General JOHNSON. That is the answer.

Senator ELLENDER. That is the answer to it.

General JOHNSON. That is the answer.

Senator ELLENDER. Well, now, do you know to what extent we would have unemployment if everybody followed the same course as you and Ford and others have followed?

General JOHNSON. I have got a pretty good crystal ball, but it is not quite that good. Before you came in, I said I did not think a 40-hour week will do the job, and while I recognize you are discussing minimum wages, I recommended you have the 36- and the 30-hour week.

Senator TUNNELL. You are employing more people all of the time?

General JOHNSON. Yes.

Senator ELLENDER. But not in proportion to production.

General JOHNSON. You are right, Senator Ellender, and that is why the 40-hour week will not solve the problem.

Senator TUNNELL. What has the proportion got to do with it? The actual number of employees is greater; is that correct?

General JOHNSON. Let us look at the question of production per man-hour in relation to the——

Senator TUNNELL. Here is what I am trying to find out: Senator Ellender asked if everybody used machinery would that increase unemployment. My suggestion was, and I took it from your testimony, that notwithstanding the fact that you have increased your machinery you have also increased your number of employees.

General JOHNSON. That is right, but it does not apply to the textile business at large. What happened there, Senator, is more like this: Through increased efficiency in selling and production we took business from other people in the textile industry.

Senator ELLENDER. That is right.

General JOHNSON. Now, we went through 10 years of depression, wtih a couple or 3 years that were not so bad, and long before that, even in 1929, we had a considerable unemployment situation in the U. S. A.

As you study the history of working hours, going back to the original industrial period in England, you will find a constant reduction. Along about 1933 we began to experiment with the 6-hour day, which we have found, for certain industries, the most efficient day so far devised.

As I see the value of a machine, it cuts four ways. If you have a machine that is producing 100 a minute and you design a new one to produce 200 a minute, the saving from that machine should be given, part to the customer, part to the employee, part to management, and part to the owners.

Now, as you go on with this machine, which is meant to be a conservation of manpower, you ought to be able to produce your daily needs at a constantly decreasing use, and I believe we have demonstrated pretty clearly in the past 15 to 20 years in the United States that we can out-produce our own needs on a 40-hour week.

Now, I realize that here we are getting over into something that you really are not on now, because it would be untimely to talk about shorter hours when there is a manpower shortage, but maybe a year from now there will not be. I think we are in a position from here on out where we should consider shorter hours.

Senator TUNNELL. But do you think we should consider doing away with the machinery?

General JOHNSON. No.

Senator TUNNELL. That seems to be the drift of the argument on the other side.

General JOHNSON. No; that would be tragic. What do you suppose it is that makes it possible for an American farmer or workman to live at a decent rate while the Hindu farmer is at a starvation level? The Hindu farmer has a bullock and a piece of stick, and he raises about a bushel a year. It is our productive capacity that enables us to pay higher wages and work shorter hours.

Senator TUNNELL. There is no tendency in industry to take away machinery and thereby increase the numbers to be employed?

General JOHNSON. No; just the reverse.

Senator SMITH. And you agreed there should not be?

General JOHNSON. Positively.

Senator SMITH. I agree.

Senator ELLENDER. I do not suppose anyone would want to do away with machinery, but if we use machinery the hours per week must be reduced from 40 to 36 or to 30 so as to give employment to all. If men and women continue to work 40 hours a week you might reach a point where you will have too much production by those machines and unemployment would follow.

General JOHNSON. I do not think there is any question about that.

Senator ELLENDER. That is why you advocate reducing the hours, so as to be able to take care of the same number of employees?

General JOHNSON. That is right.

Now, let us look at unemployment in one of its different aspects. We produce this machine and we give man a degree of leisure. Let us call unemployment badly divided leisure, and let us talk about dividing the leisure as well as the work. As we go along and have better tools it allows us to give our people a greater degree of leisure for the things needed to make a better life. I do not think it is altruism; it never worked that way with me. I have nothing against the academic mind at all, but at least I do run my business and at least I am not a failure, and it has always disturbed me that in the textile business more people did not come to look at the way it was being operated instead of being critical of it.

Senator TUNNELL. I am not going to get into any argument with you, but I think when we now have 2 billions of people, whereas 200 years ago we had only 800,000,000, that there is still room for work for both the people and the machine.

General JOHNSON. Check.
Senator SMITH. World-wide, you mean?
Senator ELLENDER. Of course.
Senator TUNNELL. Yes.
Senator ELLENDER. It should not be anything else.
Senator TUNNELL. I do not think you are forcing people out of employment by the use of machinery.
General JOHNSON. No; you are not. Your best employment records in terms of increase, following your point, is in your highly mechanized industries. Take the total employment record of something as Victorian as the textile industry, and take its employment record over 50 years and put opposite the motorcar business, you will get some idea of the difference. The motorcar business has gone up like that [indicating perpendicular], and the textile has been just like that [indicating horizontal]. In fact, 25 years ago we had 40,000,000 plus spindles in the United States, while today we have only 23,000,000.
Senator TUNNELL. All right, General; we have taken you over an hour.
Senator TUNNELL. All right, General; we have kept you over an hour. Thank you.
Senator SMITH. I want to thank the general for what I think a very fine exposition.
General JOHNSON. Thank you, Senator.
Senator TUNNELL. I do, too.

Senator TUNNELL. Is Mr. Lyon here?
Mr. LYON. Yes, sir.

TESTIMONY OF A. E. LYON, EXECUTIVE SECRETARY, RAILWAY LABOR EXECUTIVES' ASSOCIATION

Mr. LYON. My name is A. E. Lyon. My address is 10 Independence Avenue SW., Washington, D. C. I am executive secretary of the railway Labor Executives' Association, and I appear in behalf of that association in support of the pending bill.
The Railway Labor Executives' Association is composed of the chief executive officers of 19 national and international railroad labor organizations, as follows:

Brotherhood of Locomotive Firemen and Enginemen
Order of Railway Conductors of America
Switchmen's Union of North America
Order of Railroad Telegraphers
American Train Dispatchers' Association
International Association of Machinists
International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America
International Brotherhood of Blacksmiths, Drop Forgers and Helpers
Sheet Metal Workers International Association
International Brotherhood of Electical Workers
Brotherhood of Railway Carmen of America
International Brotherhood of Firemen and Oilers
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees
Brotherhood of Maintenance of Way Employees
Brotherhood of Railroad Signalmen of America

National Organization Masters, Mates, and Pilots of America
National Marine Engineers' Beneficial Association
International Longshoremen's Association
Hotel and Restaurant Workers International Alliance

These labor organizations represent about 1,250,000 railway workers or more than 80 percent of such employees in the United States.
It is my purpose to make a very brief statement as I understand that Mr. L. E. Keller, an officer of the Brotherhood of Maintenance of Way Employees, is to appear immediately following the conclusion of my testimony and he will be prepared to deal in some detail with the need for this legislation and will present important facts and figures on the railway industry and its wage policies and practices. I am familiar with the statement he has prepared and I desire to associate myself with it and endorse it.
Our association has carefully considered the pending bill, S. 1349, and we urge that it be enacted, with certain amendments which I will later discuss.
We believe that revision of the minimum wage provisions of the Fair Labor Standards Act is one of the important steps that should immediately be taken by Congress as an aid to essential improvement and maintenance of the living standards of a large group of American wage earners. We believe that substandards of living must be eliminated as rapidly as possible if American industry and commerce is to continue at the high level of activity which is necessary if we are to avoid a tragic period of depression and unemployment.
We do not believe that a minimum wage of 65 cents per hour, or of 70 cents, or 75 cents per hour, is high enough to produce or permit an adequate standard of living for American wage earners. But enactment of the bill providing for these minimum wage rates will be a forward step and we think that this step should be taken promptly. Such action will not only benefit a group of workers who need and should have a substantial improvement in their abilities to buy and consume the products of our farms, factories, and transportation systems, but it will also be beneficial to the owners and managers of industry and to the public interest. Low-wage workers are poor producers and poor consumers. If their wage incomes are increased to permit them to buy and consume the food, clothing, shelter, and other necessities which they want and which they deserve, a large increase in the market for such items will be created, more will be produced, sold, and transported and a higher level of business activity and employment will be established and maintained.
I wish to correct any impression which may have been left by the testimony of the witness who appeared for the railway companies that section men, or the employees who work on the track, are the only railway workers who suffer from the evil of extremely low wages. Numerous other classes of railway employees are still being paid wage rates which do not permit adequate living standards. About 20 different occupational classifications would be generally affected by enactment of the pending bill.
Senator SMITH. Do you think that would necessitate rate increases by the Interstate Commerce Commission?
Mr. LYON. Most certainly not. Mr. Keller, the next witness, will give you very interesting information on that.

Senator ELLENDER. What is your lowest minimum wage at the moment?

Mr. LYON. On class 1, or large railways, the minimum is 57 cents an hour. It is not uniform in all cases.

Senator ELLENDER. To raise it to 75 cents over a period of 2 years, you do not think it would affect the wages in the higher brackets?

Mr. LYON. I do not know whether it would or not. I think Mr. Keller has some data on the costs, and so forth, and I would prefer, in the interest of conserving time, that we defer that until that time.

Senator ELLENDER. All right.

Mr. LYON. I desire to present a table which I have prepared from the published reports of the Interstate Commerce Commission for the year 1944, showing the occupational classifications to which I have referred, the average number of employees in each such occupation, and the average straight-time hourly earnings of the employes in each such occupation.

(The table referred to follows:)

Avcrage straight-time hourly earnings of low-paid workers, class I railways of the United States, year 1944

Division number	Reporting division	Number of employees	Average straight-time hourly earnings
14	Telephone switchboard operators and office assistants	5,414	$0.647
15	Messengers and office boys	4,040	.586
16	Elevator operators and other office attendants	1,012	.668
26	Janitors and cleaners	6,123	.636
37	Pumping equipment operators	2,134	.629
41	Extra-gang men	56,872	.624
42	Section men	143,304	.618
43	Maintenance-of-way laborers (other than track and roadway) and gardeners and farmers	3,371	.637
66	Regular apprentices (maintenance of equipment and stores)	4,134	.645
67	Coach cleaners	13,694	.651
70	Classified laborers (shops, engine houses, and power plants)	27,789	.665
71	General laborers (shops, engine houses, and power plants)	26,495	.627
72	General laborers (stores and ice, reclamation, and timber-treating plants)	17,476	.700
92	Truckers (stations, warehouses, and platforms)	28,814	.714
94	Common laborers (stations, warehouses, platforms, and grain elevators)	4,764	.693
96	Chefs and cooks (restaurants or dining cars)	6,589	.681
97	Waiters, camp cooks, kitchen helpers, etc	17,340	.550
103	Crossing and bridge flagmen and gatemen	13,285	.600
104	Foremen (laundry) and laundry workers	588	.654

Source: Interstate Commerce Commission M-300 report for year 1944.

Mr. LYON. It will be noted that low-wage employees are not confined to any one department or branch of railroad work. There are substantial numbers of such workers in railroad offices, stations, warehouses, freight platforms, in the maintenance-of-equipment department in the shops and engine houses, in the restaurants and dining cars, and in the maintenance-of-way department. These employees perform difficult, exacting, and responsible work. Their work is essential to the successful functioning of the railroad industry, and they have played a vital part in the good wartime job that the industry has performed during the past several years.

An examination of the average hourly earnings of these classifications of railway employees, as well as an investigation of the deficient wage rates being paid to workers in the higher wage brackets, will show the real reason for the manpower problem with which the railroad companies have been troubled and which still is a major difficulty according to railroad and Government officials.

In this connection it is of interest to recall that in 1943 an emergency board appointed by the President of the United States reported that for more than 1,000,000 railroad workers, with whose wage rates they were dealing, the average earnings in October 1942 were only 73.8 cents per hour. These million workers, according to the board, included skilled, semiskilled, and unskilled classifications. A comparable figure for a current month would be approximately 10 cents higher as wages were increased, some months after the board made its report, by 9, 10, and 11 cents an hour.

The provisions of the pending bill, appearing on page 7, which would amend section 8 of the present law so as to provide that industry committees shall recommend minimum wage rates for interrelated job classifications for the purpose of maintaining reasonable wage differentials between the minimum wage established for the so-called unskilled classifications and wage rates for interrelated job classifications, does not meet with our approval.

Senator SMITH. I would like to emphasize that the witness does not approve of those classifications.

Senator TUNNELL. You object to that portion of the bill which would encourage the maintaining of the same differentials?

Mr. LYON. We do not believe that the Government should deal with anything but minimum rates, as I shall indicate later.

Senator SMITH. Then you would eliminate all reference to job classifications?

Mr. LYON. Yes; we agree with the position taken by the American Federation of Labor in that respect.

We believe that it is necessary and proper that the law establish a minimum or a floor for wage rates, but we do not subscribe to the theory or principle in this part of the bill which would permit the Government, through the Wage and Hour Administration of the Department of Labor, or other machinery, to fix or prescribe wage rates above such minimum. The establishment of wage rates for job classifications which warrant higher wages than the minimum prescribed by law should be left to the representatives of industry and of labor, who are intimately acquainted with the many factors and problems which necessarily must be considered, and to the processes of collective bargaining.

We suggest and request that the pending bill be amended by striking these provisions. We agree with the views expressed in this connection by the American Federation of Labor.

Another amendment which we believe should be made to the pending bill has to do with the question of deductions from minimum wages of the reasonable cost of board, lodging, and other facilities customarily furnished by an employer to his employees. Beginning on line 23 of page 2 of the bill, subsection (m) of the present act should be further amended by inserting the words: "and employees of common carriers engaged in the preparation and service of food and beverages" following the word "vessel." The subsection would then read:

(m) "Wage" paid to any employee, except members of the crew of a vessel and employees of common carriers engaged in the preparation and service of food and beverages, includes the reasonable cost, as determined by the Admin-

istrator, to the employer of furnishing such employee with board, lodging, or other facilities, if such board, lodging, or other facilities are customarily furnished by such employer to his employees.

This amendment is desired by the Hotel and Restaurant Employees' International Alliance, which represents dining car employees on substantially all of the class I railways, and it is supported and endorsed by the Railway Labor Executives' Association.

The dining-car employees point out that under application of the present law substantially all of them have been deprived of its benefits. This has been due to the fact that the railroad companies have deducted from the minimum-wage rates established under the law certain amounts as the cost of meals and lodging for these workers while they are en route or laying over at points away from home terminals.

Senator SMITH. How do you deal with the matter of tips for waiters in dining cars? Is it estimated about what the tips will run, or are the men paid without regard to that?

Mr. LYON. The men have a wage scale without regard to that. Some men get tips and others do not; it depends on the run and the class of train. A large number of these people are working on troop trains, where they get no tips whatever, as no money is exchanged between the man who eats the food and the man who serves him. Others make pretty good on tips, but numbers of them cannot work on those good trains, and we also have many men who are extra men.

Senator SMITH. Are you including pullman porters in this amendment?

Mr. LYON. No, sir.

Senator SMITH. They are dealt with in a different way?

Mr. LYON. I am not familiar with that. The pullman porters' organization is not a member of our association.

Senator SMITH. You do not represent them?

Mr. LYON. No.

Senator SMITH. I see.

Mr. LYON. In 1938, when the present law became effective, dining-car waiters with less than 5 years' service were being paid approximately 27 cents an hour; those with 5 years or more of service were being paid 32 cents an hour; fourth cooks or dishwashers were being paid about 36 cents an hour. On some carriers apprentice waiters or bus boys were being paid only 20 cents an hour. Instead of increasing these wage rates to the minimums provided by the law the carriers charged off the difference between the rates in effect and the minimums provided under the law as the cost to the railroads of furnishing the employees with meals and lodging. As a result, the employees received no benefit.

The same thing was repeated when higher minimum wages were made effective by operation of the law. Thus, when the minimum under the act became 36 cents an hour on March 1, 1941, the carriers increased the charges or deductions for meals and lodging so that the employees again received no benefit. The service performed by dining-car employees is such that the employer must furnish them with meals and lodging while they are away from their home terminals. The practice is primarily for the benefit of the railroad company. It is followed because there must be a continuous operation of the

service and when the employees are laying over at an away-from-home point, the carriers insist on them sleeping at designated lodging houses or dormitories where they will be immediately available for service in event of emergency or sudden increase in the volume of traffic.

The conditions under which these employees work are comparable to those which apply in respect to the crew of a vessel. The pending bill would exempt the crew of a vessel from the deductions from minimum wages and we respectfully submit that justice to railroad dining-car workers requires that the proposed exemption be broadened so that they will get the benefits of the law.

In conclusion, Mr. Chairman and gentlemen of the committee, we submit that the commendable purpose of the existing act "to correct and as rapidly as practicable to eliminate" conditions in interstate commerce which are detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" is not and cannot be fulfilled unless the pending bill is promptly enacted into law. We respectfully appeal to you for favorable action at the earliest possible date.

Senator TUNNELL. I notice this statement is on behalf of the Railway Labor Executives' Association. What is that?

Mr. LYON. The chief executive officers of the Nation-wide railway unions organized this association many years ago for the purpose of coordinating those activities in which they have a joint interest.

Senator TUNNELL. Who are entitled to join that organization?

Mr. LYONS. Well, we have bylaws which provide that any organization, Nation-wide, of railroad workers, can apply for affiliation with our association.

Senator TUNNELL. How many members does each organization have in your association, the Railway Labor Executives' Association?

Mr. LYON. The membership of each one of these organizations who are working on railroads, which most of them do, are, of course, affiliated with the association.

Senator TUNNELL. Do you mean all of the members can become members of the Railway Labor Executives' Association?

Mr. LYON. No, sir; the chief executive officer, technically, is a member of the association.

Senator TUNNELL. Just one from each association?

Mr. LYON. Yes, sir.

Senator TUNNELL. That would be the president?

Mr. LYON. Yes, sir; and he represents all of the membership.

Senator TUNNELL. I was just trying to find out how it was composed.

Mr. LYON. You have a correct understanding.

Senator SMITH. We speak of the railroad brotherhoods as railroad organizations; that means this group you are representing?

Mr. LYON. In some cases the public, using the term "brotherhood," may refer to the train service brotherhoods in one sense and in another to all railway labor.

Senator SMITH. I was confused as to just what that term means.

Senator TUNNELL. Do you have any further questions?

Senator SMITH. No.

Senator TUNNELL. All right, thank you.

Mr. Keller.

TESTIMONY OF L. E. KELLER, RESEARCH DIRECTOR OF THE BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES

Mr. KELLER. Mr. Chairman and members of the committee, my name is L. E. Keller. My address is 61 Putnam Avenue, Detroit, Mich. I am the research director for the Brotherhood of Maintenance of Way Employees, the standard railway labor union that embraces the greatest portion of the low-paid workers in the railroad industry.

Another representative of the railway labor unions has dealt in more general terms with the pending bill in its entirety, and it is my desire to deal in more detail with the minimum-wage provisions.

The bill proposes 65 cents an hour for the first year, 70 cents an hour for the second year, and 75 cents an hour thereafter except that industry committees could fix the top figure of 75 cents at an earlier date.

In terms of annual wages, and on the basis of 2,000 hours of work per year, these hourly minimums would produce an annual income of $1,300 for the first year, $1,400 for the second year, and $1,500 thereafter.

These proposed minimum rates are too low to provide for an adequate minimum standard of living for an average American family of four and will not even make it possible for the wage earners' family, relying upon such an income, to provide the minimum standard found to be necessary in the well-known WPA budgetary studies. These budgetary studies have been placed before your committee by an earlier witness, Dr. Hinrichs, of the United States Bureau of Labor Statistics, and I shall not deal with them except to say that they call for more than the $1,500 per year that would be possible at 75 cents an hour, and yet they were thrown away by the Bureau of Labor Statistics in 1943 because they had become so inadequate and so indefensible that the Bureau could no longer justify itself in continuing to present them on the basis of revised price figures.

Every industry essential to the economic well-being of the country should be permitted to earn enough to pay good wages and should then be required to pay them. By way of a very simple illustration, if peanuts, when selling for 5 cents a bag, will not permit the payment of an adequate and socially decent wage to those essential to the raising and marketing of peanuts, then those who eat peanuts should pay 6 cents or 7 cents a bag or whatever may be necessary in order to permit decent wages.

However, it is not exclusively the industries with the lowest income that insist upon paying low wages. It is not merely the small industries that insist upon paying small wages. The railroad industry is neither small nor poor. It is one of the Nation's largest and most prosperous industries. But when the first Fair Labor Standards Act was passed in 1938, calling for the wholly inadequate 25 cents an hour, the railroad industry had thousands of employees working for less than 25 cents. One big railroad that was paying 20 cents an hour to several thousand section men became so frantic when they had to go up to 25 cents, and a year later up to 30 cents, that it launched upon a program for recapturing part of that wage which might easily be termed straight-out thievery.

It set up a lot of items for deductions from the employees' pay check sufficient in number and amount to recapture the difference between the 20 cents an hour it had previously paid and the amount it was required to pay under the Fair Labor Standards Act of 1938. It charged its poorly paid section men rent for houses the men did not live in. It charged them for water from wells that did not exist. It made deductions for police protection that did not exist locally against mobs that had never been formed nor threatened so far as we know in the entire history of the railroad. It made deductions for shade trees that had never been planted. It charged men for riding on the motorcars that belonged to the section foremen and not the company. In short, it set up a lot of imaginary expense items and made deductions for them in order to steal back the difference between the 20 cents it wanted to pay and the amount the first Fair Labor Standards Act required it to pay, and continued this practice until forced by a Federal court to stop it and reimburse the men who had been so victimized.

Senator TUNNELL. Did you say who did that?

Mr. KELLER. I did not.

It was the Atlantic Coast Line.

Senator SMITH. Were there any others?

Mr. KELLER. That was one. Some other railroads did begin to charge our men for living in these shacks or dumps, demounted boxcars, and so forth. They charged the men for living in them after the law was passed, whereas, previously, they required them to live in them so they would be close by.

When the railway labor unions brought about the creation of a railroad industry committee, under the first Fair Labor Standards Act, the railroad industry paraded its professional mourners before that board predicting disaster in the event that a 40-cent hourly minimum should be required of them.

This calamity howling has been characteristic of the railroad industry for more than the quarter of a century that I have been a representative of these low-paid and underfed maintenance-of-way men.

Regardless of whether they are prosperous or otherwise, regardless of whether business is good or bad, regardless of how low wages may be in comparison with other industries, or how high the cost of living may have climbed, the railroads have always had two stock answers for their employees when relief was requested in the form of improved wages. One of these stock answers is to the effect that they cannot afford to grant a wage increase when they are poor and they ought not be required to when they are rich because they might get poor again.

The other one is that they ought not do anything this year until they see what happens next year. Your committee heard that when the railroad representative appeared before you on the 12th of October. We have been hearing it for more than a quarter of a century.

Opponents to this bill have based their opposition in part on the contention that adequate minimum-wage rates should be established by collective bargaining and not by law. They do not explain how this can be accomplished for the great mass of unorganized workers in the low-income brackets, and they also fail to make clear how a decent wage can be accomplished, over the traditional opposition of selfish employers, in instances where unions may exist but collective bargaining is ineffective because of inadequate strike power.

The brotherhood I represent has been engaged in collective bargaining with the railroads of this country on a Nation-wide basis since 1919, and yet we have more than 25,000 maintenance-of-way men working for 57 cents an hour or less.

We are even now in a Nation-wide dispute with the railroads of this country in connection with a wage proposal.

On June 25 of this year, or about 3 months ago, the Brotherhood of Maintenance-of-Way Employees served notice on the railways throughout the United States of our desire to establish a uniform minimum wage and a standard wage scale for the workers in the maintenance-of-way department. Every railroad in the United States, without a single exception, has refused our proposal, and it was necessary for the brotherhood on October 10 to invoke the aid of the National Mediation Board in wage disputes involving some 280 separate railroads.

The average for section men for the country as a whole is 62 cents an hour. The section men alone represent about 10 percent of all railroad workers, and they draw about 5 percent of the total wages paid.

Their wages are so low that a serious manpower problem has existed in this indispensable industry throughout the war period. The industry is still in trouble as a result of the labor shortage notwithstanding the fact that there are some 3,000,000 unemployed workers in the country, because the returning veterans and the displaced war workers are not yet hungry enough to accept jobs involving this type of hard manual labor at the low wage the railroads insist upon paying. As a result of that situation, and this all has a direct bearing upon the bill we are now discussing, we have the following combination of circumstances:

1. The railroads are confronted with a labor shortage notwithstanding the fact that we have some 3,000,000 idle workers at this time.

2. To assist the railroads in maintaining their tracks during the war period, the State Department worked out a plan with the Mexican Government under which more than 100,000 Mexicans were temporarily imported for railroad employment.

The war is over, and we have a growing unemployment problem, but the railroads can't hire workers because of low wages, and consequently representatives of the railroads have continued to urge that the War Manpower Commission let them keep the Mexicans for further service. Returning veterans are looking for jobs, and we have an unemployment problem which may soon become one of serious proportions, but the railroads still have about 60,000 of these temporary Mexicans now employed on the railroads.

3. During the war the railroads have been forced to employ women and children for services in these heavy track jobs, although their efficiency is extremely low, because they are wholly unfit for this type of hard manual labor.

Senator TUNNELL. What are women and children employed for?

Mr. KELLER. Track work, hard manual labor. The railroads were desperate. They were sitting out the war and waiting for the next depression.

Senator TUNNELL. Women and children were employed as section hands?

Mr. KELLER. Yes. These railroads have hired school children and women and put them in these track gangs or created special gangs for them.

Railway officers admit that the efficiency and productivity of both the temporary Mexican labor, and the women and children hired for track work, is so low that one native male adult worker can turn out more work than two Mexicans, and the productivity as compared with women and children is even greater.

4. The railroads tried frequently to bring war prisoners and relocated Japanese into the railroad industry to help meet the critical labor situation that was produced by low wages, but the railway labor unions felt that there were too many among these war prisoners and relocated Japs who might resort to sabotage with disastrous results, and we opposed their employment for that reason.

5. The railroads in and around Chicago became so desperate for labor that they assigned representatives to watch the police courts and do a little sweatshop lobbying there in an effort to have drunks, and bums, and human derelicts sentenced to a fixed number of days' work on the railroads instead of being sentenced to jail, and it will not be difficult to picture the extremely low level of efficiency and productivity that might be obtained from this type of worker.

6. In the southeastern section of the country convict labor was taken from the penitentiary and used on the railroads to meet the critical labor crisis produced by low wages.

7. Since the railroads cannot get enough men to do their own maintenance work on tracks and bridges, even through all their extraordinary and questionable efforts, they have resorted to the practice of contracting out maintenance-of-way work in a manner that is equivalent to the establishment of a Nation-wide labor black market.

Under the stabilization program railroad workers were held down to a specific wage increase in January 1943 and we were told that any wage paid for railroad work above the increase allowed would be inflationary and would do violence to the stabilization program. But the railroads could not get labor at the wages thereby established and they are contracting track work, bridge work, and all varieties of maintenance-of-way work at wage rates much higher than the wages received by their own regular employees.

That is demoralizing to the whole situation because they work in the same gang.

Senator TUNNELL. Do you mean the railroads are contracting out sections of their railroads for maintenance work?

Mr. KELLER. Not particularly sections, but certain types of work. They are contracting out rebuilding and reballasting, putting in rails and ties, and patching up bridges and structures.

Senator TUNNELL. And the contractors are paying much higher wages?

Mr. KELLER. Much higher. The contractors also have to make a profit, and so it costs the railroads more. It demoralizes the employees within the industry to see the railroad paying other people more than they pay their regular workers.

But with all this our request of June 25 for an improved wage scale has been denied by every railroad in the United States, and this is the industry whose spokesman says Congress should leave minimum wages to collective bargaining.

Senator TUNNELL. Do you think this bill would help in that?

Mr. KELLER. Tremendously. We do not think 65 cents is enough, but it would be a big help to those people who are now getting 57 cents an hour.

Senator SMITH. Are you coming to the question of increasing the rates—the necessity of it?

Mr. KELLER. Yes, sir.

Senator SMITH. I want to bring that out because those rates are fixed by the Interstate Commerce Commission. Also the extent to which the wage question comes before the Interstate Commerce Commission in considering rate fixing.

Mr. KELLER. We are going to deal with that.

The contention that it costs substantially less to live in the South than in the North, and that substantially lower wages are therefore jusified in the South, is a greatly exaggerated argument. The principal difference is one of living standards and not one of living costs. The Bureau of Labor Statistics made a study of these sectional differences a few years ago and found that the difference in the cost of living as between the North and the South was only about 3 or 4 percent.

Of course, a low-paid worker's family can live in a shack, which wouldn't pass as a first-class barn, cheaper than they could find a reasonably comfortable four- or five-room workingman's house. A house without a bath or toilet, or kitchen sink or plumbing, or hot and cold running water can be rented for less than a worker's family would have to pay for a house fit for human habitation, but this, as I have said, is a matter of living standards, not prices.

Incidentally, since I am dealing primarily with the railroad industry, it might be appropriate to recall here that in the South, where the railroads pay the lowest wages to trackmen, they charge the highest freight rates for the commodities hauled over these same tracks. If they are justified in charging the public more for their services in the South, how are the railroads in that region justified in paying the lowest wages to certain of their employees?

Furthermore, it should be made clear in this connection that the railroads do not pay lower wages in the South to all classes of railway workers. That is not the case for the engineer, firemen, and conductors and trainmen. It is not the case for the various groups commonly referred to as the shop crafts. As a matter of fact, it is not the practice right in the maintenance-of-way department insofar as track foremen, bridge foremen, carpenters, and other skilled workers are concerned. There are differences in the wages of maintenance-of-way men from road to road for the skilled workers, but they are not differences of a regional character. It is only with those right down at the bottom of the heap, the impoverished section men, and those in the lowest wage brackets, that the railroads insist upon practicing this unjust discrimination.

Having been raised in the South and having a very deep-rooted affection for the South, it strikes me as being a most unfortunate circumstance when this kind of economic tribute or tax is exacted from certain of our citizens in the lower-wage levels who choose to live in the South.

It is not always the smallest railroad that pays the lowest wages to those in the low-wage brackets. For example, the Wheeling & Lake Erie operates 507 miles of railroad and pays a uniform rate over the entire line of 68 cents an hour. On the other hand, the Chicago, Rock Island & Pacific operates 7,773 miles, which is 15 times the size of the Wheeling & Lake Erie, but the Rock Island pays trackmen 57, 60, and 63 cents an hour.

The Bessemer & Lake Erie operates 214 miles of railroad and pays a uniform rate of 67 cents an hour, while the Chicago, Burlington & Quincy, operating 9,040 miles, is more than 40 times the size of the Bessemer & Lake Erie, but pays 58¾, 60, and 63 cents an hour.

It will be noted here that I have referred to more than one rate paid on the same railroad to trackmen. This is a common practice throughout the railroad industry, although not universal. A good many railroads pay one uniform rate to trackmen. This is the case on some roads in every region of the country. It is true for the A. B. & C. Railroad in the South, where a uniform rate of 57 cents is paid; on the Colorado & Southern in the Central West, where a uniform rate of 60 cents is paid; on the Delaware & Hudson in the East, where a uniform rate of 67 cents is paid; on the Duluth, Missabe & Iron Range in the Northwest, where 67 cents is paid; on the Florida East Coast in the deep South, where 57 cents is paid; on the Louisiana & Arkansas in the Southwest, where 57 cents is paid; and on a considerable number of other railroads in various sections of the country.

On the other hand, we have the Louisville & Nashville that pays 11 different rates to its section men which range from 57 cents to 64 cents, making a spread of 7 cents an hour for the same class on the same railroad. We have the New York Central with 11 different rates ranging from 64¼ cents to 71 cents. We have the Baltimore & Ohio with nine different rates ranging from 59 cents to 69 cents, making a spread of 10 cents an hour for the same class doing the same work on the same railroad.

These are not country rates and town rates as was suggested by the representative of the railroads on October 12. They are rates paid on different divisions and they apply to the trackmen on the division regardless of whether their particular location is in the country or in town.

The threat to replace men by machines in the event that industry should be required to pay a more reasonable minimum wage, raises some important social and economic questions. Are we to assume that the employer must get all the benefits of technological progress, or such an overwhelming portion of these benefits, that the workers must be satisfied with the unhappy choice between inadequate wages or unemployment? If so, then how are we to maintain a balanced economy that is essential to the well-being of the employer and the public as well as the employee involved?

There must be a balance between production and consumption. We must be able to consume what we produce, otherwise nothing is gained by producing it. Normally we export less than 10 percent of our output. Our wage earners are our greatest customers and consume a very great portion of what we produce. They must have good wages and regular work if they are to be good customers and in a position to consume what we produce. This line of reasoning is not based on a lot of high-powered economic technicalties, but on plain everyday horse sense.

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I think we made this kind of a mistake in the year following the First World War, and particularly during the reckless 1920's, with the result that the employers and investors, as well as the wage earners, lost their shirts following the crash of October 1929. During that period industry was producing more and more with fewer and fewer workers, and we were building up a bigger and bigger army of permanently unemployed workers. The organized labor movement of this country called attention to that fact as early as 1925 and continued to warn against it in the years thereafter. But our great captains of industry and the heads of our powerful investment and banking houses paid no attention to us except to refer to us ocascionally as radicals or comunists. The term "star gazer" had not been invented at that time.

Yes; we were producing more and more with fewer and fewer workers and consequently we were filling the shelves of our stores with more and more goods. But production outran consumption. The wage earners' hourly wage did not keep pace with his hourly output.

All this must have been a delightful form of economic suicide for the short-sighted employer. However, the day of reckoning had to come and finally it did roll around. We were then faced with the perfectly obvious, common sense fact that a 10 percent increase in wages would not make it possible to consume a 50 percent increase in commodities. Unemployed men made idle by labor-saving machines couldn't buy what our more efficient industries were producing. The workers had not been given their share of the benefits growing out of technological progress.

Senator SMITH. Who is to determine what the overproduction will be? Is there some omniscient mind to say how much work shall be done?

I have a feeling that we can absorb a lot more than we are producing today.

Mr. KELLER. I do not want any limit put on production, certainly not as long as we have hungry and ragged children in this country, and we have them today. I favor a balanced economy and an abundance of production.

Senator SMITH. That is the problem we are all studying. That involves low prices as well as higher wages, because if the price goes up along with the wages, it does not benefit the fellow who gets the wages.

Mr. KELLER. That is right. I think it has been shown we can have not only higher wages and lower prices but that the whole wage history is proof that what we have been doing is raising wages and lowering prices through efficiency and technological process.

Senator SMITH. Then it comes down to fairly distributing the national income?

Mr. KELLER. I think so, Senator Smith. We should not have these labor-saving machines as a threat over the worker. We should use these machines to produce more with less work, but we have to divide it equitably; otherwise it is a slow but sure process of delightful suicide.

Senator TUNNELL. We are nowhere near the saturation point now.

Mr. KELLER. No, sir.

Senator SMITH. I agree.

Mr. KELLER. Now, big industry is back before your committee again clearly indicating that they have learned very little from the last depression and threatening to replace men by machines if required to pay a socially decent minimum wage.

It is indicated by an opponent of the bill that Congress should not enact a minimum-wage law because some railroad section men live out in the country instead of in towns or cities. Since this very profound argument has been raised as a point of opposition, I think we ought to take a brief look at it.

It is true that some railroad section men do live out in the country. The railroads were built out there. We maintain the tracks and roadway and follow the old-fashioned custom of living where our work is. However, the United States Bureau of Labor Statistics in its handling of wage and employment problems, defines an urban community as one of 2,500 population or more, and rural communities are those localities with less than 2,500 population. On the basis of this definition of urban and rural communities, for wage and employment purposes, the majority of the railroad section men live in urban communities. In order that your committee may see the number of maintenance of way men living in communities of various sizes, and also see the number of other railway workers living in communities of different sizes, we have reproduced and present to you a table of figures on this point as prepared by the representatives of the railways and used as an employer exhibit before a President's emergency board hearing as evidence in a railway wage dispute in 1941.

(The chart referred to is on following page).

Mr. KELLER. While the railroads refer to the fact that some of their trackmen live in the country while others live in town, they overlooked the fact that they pay low wages to those living in town as well as to those living in the country. A substantial number of railroads pay a uniform or standard rate for all their section men over the entire system without regard as to whether or not they live in the country or in town.

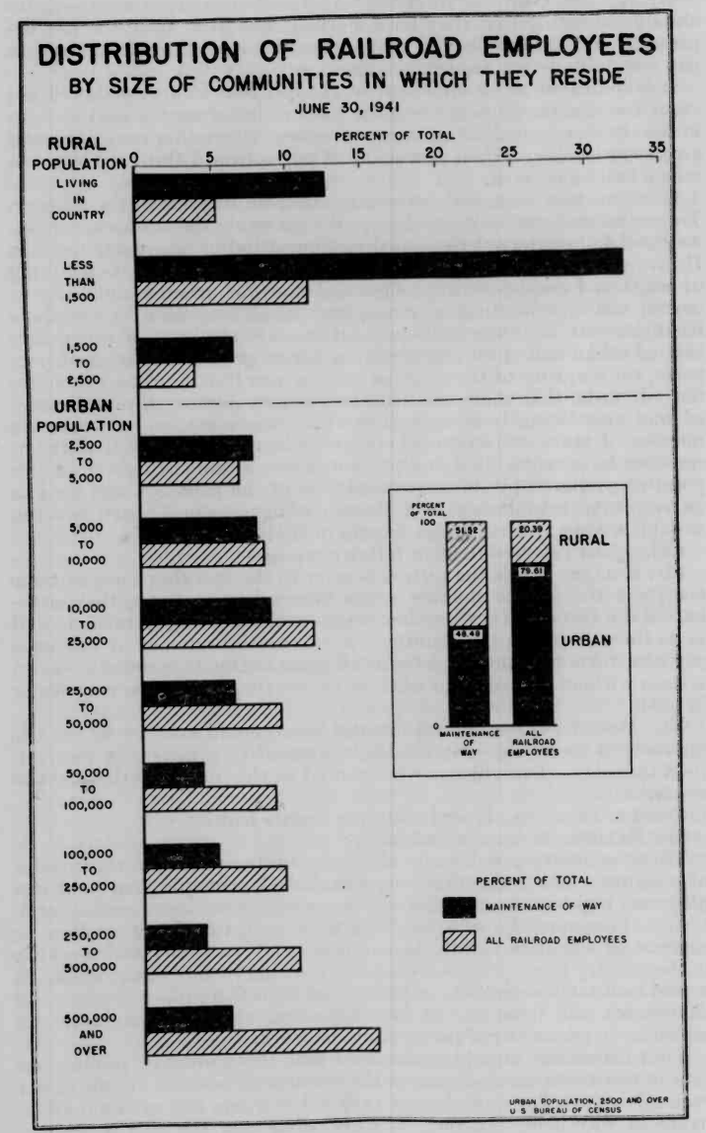
The idea of paying one rate in the country and another in town is impractical under the long-established seniority practices in the railroad industry. I might say we invented in this industry the practice of seniority.

Senator TUNNELL. Even before the Senate had it?

Mr. KELLER. At least in industry.

These seniority practices have prevailed for more than a quarter of a century and under this long-established principle men hold employment rights on operating divisions or within certain specified territories. Consequently, as a result of force reductions, or transfers, or exercise of seniority rights, an employee may be living and working in the country this week but living and working in a city next week. It would be utterly ridiculous to follow that man from place to place and change his rate from day to day depending upon the community in which he happened to be performing his work.

Your committee should understand that this policy of paying one rate in town and another rate in the country is not now in effect, nor even advocated, for any class of railroad workers except the maintenance of way men. In fact, it is not advocated for all the maintenance of way men and is only tied up to the section men down at the



bottom of the heap. This raises the question as to why the railroad industry should single out its lowest paid workers for that kind of penny snatching and belly robbing policy when it is not practiced, or even advocated, for those in the higher wage brackets.

Furthermore, since men are paid for what they do on a job and not for where they live, how is this discrimination justified on any common sense basis? A hundred pound rail (meaning 100 pounds to the yard) weighs just as much out in the country as it does in town. A cresosoted or chemically treated cross tie is just as dirty out in the country as it is in town. Trackmen use the same tools out in the country as in town. They work with the same track materials and perform the same type of work in the same department of the same industry and under the same general operating conditions. Since the employer hires them on the basis of what work they are to do and not on the basis of where they may live, then why, as a practical common-sense matter, should they not get the same rate for the same work regardless of where they perform it just as everybody else in the railway industry does? Does the railroad president cut his salary for the time he spends out in the country? Does an engineer get less for running an engine in between stations? Does a railroad charge one freight rate or passenger rate in town and another one in the country?

As one final word, in connection with the economic doctrine that people should expect less for their services when they live in the country than is granted to those who live in town, it might be well to recall that according to the 1940 census figures 56.5 percent of our entire population was urban and 43.5 percent was rural. If the doctrine of paying railroad section men less merely because they live in the country is sound, then there is no reason why it should not be made applicable on a more general basis for other persons, and in that case we would be fixing a wage and living standard for 43.5 percent of our people below that fixed for the 56.5 percent who live in town.

The low wage rates prevailing for many of our people throughout the country are producing a frightful situation with respect to healthful and physically decent housing of their families. This is a serious problem and there are people so impressed with the importance of the matter that they favor Government subsidies to produce decent and proper homes for our people to live in. A more adequate wage would take care of this situation without the necessity for Government subsidy. It is a most commendable thing to find men in public life taking such a pronounced interest in this problem but, in the final analysis, a Government subsidy for the purpose of providing houses for low-paid workers is nothing more than a subsidy to an employer who insists upon paying inadequate wages.

According to charts and testimony presented on July 30 of this year by Senator O'Mahoney before the Senate subcommittee that was dealing at that time wtih the full employment bill, there were in 1944 some 32,500,000 persons with annual income under $2,000 per year. The total annual income of those in these low-income brackets amounted to $45,700,000,000 a year. These are the people who would be benefited by the minimum wage provisions of the bill S. 1349 now under consideration.

These 32,500,000 with their total income of almost $46,000,000,000 are tremendously important to the economic life of our country. Their income is about three times greater than the total income of all those who receive $10,000 a year or more and, therefore, as customers and as consumers of the products of our farms and factories, they are tremendously important people. Since their income is so low and since there are so many of them, these are the people it seems to us who have the first claim for help from Congress. Their needs are the greatest and their income might well be considered sacred in proportion to its scantiness. It is both the right and the duty of Congress to see that these needy people get the help that they require in order to lift themselves up to the social and economic levels all Americans have the right to enjoy.

If provided a more adequate income, these low-paid people will spend it for food and for clothing and for the basic necessities of life. Placing money in the hands of these needy people is not a matter of inflation, unless removing the wrinkles from hungry bellies might be considered inflationary. If so, we can stand a lot of that kind of inflation and the more of it we get the less danger there is for some sort of foreign "ism" to take things over in their own hands.

When minimum wage proposals are under consideration the industrialists who want to pay the lowest wages always find it convenient to hide behind the poor farmer and predict disaster for the farmer if they, the low-paid industries, are required to measure up to a more acceptable standard of social decency.

I want to present the other side of that picture. It seems clearly evident to me that the farmer will benefit particularly through the granting of a more adequate minimum wage to these unfortunate people down at the bottom of the heap. An indication of that may be seen in a brief reference to the item of food. The Department of Agriculture tells us that a very substantial number of our people do not have an adequate diet, and common sense tells us that no normal person will permit his children to go hungry when his income is sufficient to enable him to provide them with a square meal.

In urban communities during 1941, according to a study made by the Department of Agriculture, our urban families spent about $15,000,000,000 for food.

In this connection there seems to me to be something cold and cruel, in debating whether or not men, women, and children in the United States should be permitted to earn enough to assure them of an adequate amount of food. We are constantly pointing to the fact that we are the richest nation in the world and that we enjoy the highest living standard in the world. Since this is unquestionably true, for the country as a whole, how can we possibly justify ourselves, under any condition, when we have a great number of our people who are underfed and undernourished?

We talk about a living wage, and an American standard wage, and a health and decency wage, and finally down at the bottom we get to a subsistence wage. But, as a matter of fact, when it is suggested by employers that a wage should be fixed that will provide only the bare necessities of life, or when it is advocated that a person should be paid less out in the country than he is paid in town for doing the same work, merely because he can be kept alive cheaper out in the country, then it seems that we have hit a new low level and that employers are advocating the equivalent of a beast-of-burden wage.

Before the beginning of the Second World War, according to the United States Bureau of Labor Statistics, there was on the one hand, a condition of inadequate feeding among the low-income families, and on the other hand a need for larger markets for agricultural products. The great potential market for food in the United States is among those in the low-income groups. In 1941, according to the Bureau of Labor Statistics, the average expenditure for food by urban families of two or more persons was $706. At that time the minimum adequate diet of the WPA maintenance budget for a family of four was $518.

But there were many families who had less than this $518 low maintenance level, and had those below that level merely been brought up to it, it would have meant an additional market for the farmers for about 3⅓ billion dollars more for food products. This would have meant an increase of about 23 percent in the amount spent for the food consumed in this country. In like manner, if all those whose clothing allowances fell below the WPA budget provisions for clothing had been brought up to these modest WPA levels, there would have been a 30-percent increase in clothing consumed. This would not have hurt the farmers engaged in the production of food, cotton, and wool.

At this time one of the farmers' chief problems is to find a larger market for his products. About 2 or 3 weeks ago the Department of Agriculture was talking about the need for reducing production. That certainly will not make sense to a great many millions of our citizens who are not now getting enough food or clothing, and in behalf of a very large number of miserably low paid railroad workers, I urge that Congress do everything in its power to see that these unfortunate people have a chance to buy the food and clothing they need before we attempt any more "plowing under" policies. One of the ways to do this is to pay decent wages, and one of the best and most direct methods of getting more decent wages into the hands of that great mass of potential customers down at the bottom of the heap is to enact a minimum-wage law which would actually contain an adequate minimum wage.

I don't want to leave the impression here that I am implying that this present bill, with its minimum of 65, 70, and 75 cents, will actually give everybody an adequate living. It will not do that. It will not even measure up to the low maintenance levels provided in the WPA budgets, and I say again that these WPA budgets had become so low and so indefensible that the Bureau of Labor Statistics refused to price them any longer after 1943.

The bill we are now talking about will provide a big measure of relief to that part of our population now in economic slavery, but it will not provide the comfortable, healthful American standard of living that millions of our people have heard about but never enjoyed.

But in opposition to this line of reasoning above submitted and under which the farmer would be benefited through the payment of more decent minimum wages, we are told that we cannot raise wages without raising prices and that when we raise prices that is harmful to the farmers.

But the whole industrial history of our Nation shows that we can and do raise wages without raising prices. There is an abundance of evidence to show in one big industry after another that wages do go up over the years and prices do come down because greater efficiency, productivity, and technological progress results in a greater output per worker.

The records available for the railroad industry give a good illustration of what can happen in the way of wages going up and prices coming down over a period of years. It is well known that in 1944 the railroads handled the greatest volume of business in the history of the railroad industry, outstripping all previous records in a very substantial measure. However, the number of railroad employees in 1944 was 15 percent below the number employed in 1921 or in 1929.

The average straight time hourly earnings of railroad workers as a whole for the last half of 1921 was 60.8 cents. The figures for the full year 1921 cannot be determined because of a change in statistical reporting during that year. However, the wage of 60.8 an hour for 1921 climbed to a wage of 93 cents an hour for the year 1944, representing an increase of 53 percent over 1921.

Revenue freight ton-miles per employee increased from 1921 to 1944 by 182 percent, and the number of ton-miles per hour of employee services during that same period rose by 149 percent. Notwithstanding the higher wage rates of 1944 as compared with 1921 the revenue freight ton-miles per dollar of wages increased by 71 percent during the period here referred to.

But, since the railroads handled both freight and passenger business, the unit output per dollar of wages cannot be fully presented solely by the use of the revenue freight handled. It is an established practice to arrive at what is called a traffic unit by bringing together the revenue freight ton-miles and the passenger-miles handled by the railroads. Usually the passenger-miles are multiplied by either 2 or 3 and then added to the revenue freight ton-miles with the aggregate becoming what is called a traffic unit. Through doubling or tripling the passenger-miles it is apparent that a higher traffic unit figure would be obtained. In the table that I have compiled, however, I have taken the actual passenger-miles and added them to the revenue freight ton-miles, but even on this more conservative basis we find that between 1921 and 1944 the traffic units per dollar of employee compensation increased by 72.9 percent. Here in these figures for an industry of national scope, operating in every State of the Country and in almost every county we see evidence of the fact that wages increased 53 percent during a period when transportation service per dollar of wages went up 72.9 percent.

As a result of this greater efficiency and productivity of the railroad industry, the freight revenues charged the public for hauling an average ton of freight a distance of 1 mile decreased by 25.6 percent. In 1921 the railroad charged the public $1.27½ for hauling an average ton of freight a distance of 100 miles. This same job was done in 1944 for a fraction under 95 cents. It is interesting to note here that the railroad industry is moving an average ton of freight a distance of 1 mile for a charge of less than 1 cent.

Turning to the revenues derived from passenger service, it will be seen from the table that we have prepared that in 1921 the average

revenues received by the railroad industry for hauling a passenger a distance of 100 miles was $3.09. They were hauled 100 miles in 1944 for an average charge of $1.87. The average charge for hauling a passenger a mile declined during that period by 39.5 percent.

Here again we see that while average straight-time hourly earnings of railroad workers were going up by 53 percent, the average freight revenues per ton-miles went down by 25 percent, and the average charge for hauling passengers went down 39.5 percent.

Incidentally, all of the figures that I am using here in connection with the railroad industry have been compiled from official Interstate Commerce Commission statistics and can be verified through these official ICC records.

We have seen that while average railroad wages went up 53 percent between 1921 and 1944, the average tonnage handled per dollar of railroad wages increased by a much greater percentage. Therefore, the wage cost for handling a revenue ton-mile actually declined by 41.5 percent over that same period.

In 1921 the portion of operating revenue used for railroad wages, and the portion used for all other purposes, was divided almost equally. The portion of the revenue dollar used to pay wages was 50.1 percent and the portion for all purposes, 49.9 percent.

However, in 1944 the portion going to labor in terms of wages had declined 18.6 percent, which means that the portion used for other purposes went up 18.6 percent. Labor got 50 cents out of each revenue dollar in 1921 but only 40 cents out of each revenue dollar in 1944.

I think the ICC figures that I have used here present conclusive and overwhelming evidence that it is possible to raise wages and lower prices at the same time. This not only can be done but it actually has been done in the railroad industry, and it has been accomplished through greater efficiency and productivity on the part of the industry as a whole. Labor didn't produce all this efficiency and productivity. Neither did management, and neither did it result entirely from the invested dollar. It is the combined results of the contribution made by labor and management and the investor. We are not presently concerned, however, with who should get the lion's share of the credit for this remarkable achievement. We are merely pointing out here that wages have gone up and prices have gone down.

Now I want to call attention very briefly to the fact that the same thing has been going on in other industries. Taking the manufacturing industries as a whole, we see, according to data prepared by the United States Department of Labor, that wages have gone up and prices have gone down in manufacturing. Taking 1923 as a base of 100, wholesale prices of manufactured commodities had declined in 1939 by 19 percent. During the same period, average hourly earnings went up 17 percent. It was possible to reduce prices 19 percent and raise wages 17 percent during that period because the unit labor cost went down by 33 percent and the output per man-hour went up by 74.5 percent. It is my understanding that the Bureau of Labor Statistics stopped its figures at 1939 because of the fact that war conditions made such drastic changes in most of our big manufacturing plants that the statistical comparison would not be too dependable for subsequent years. To illustrate this point, we need merely to recall

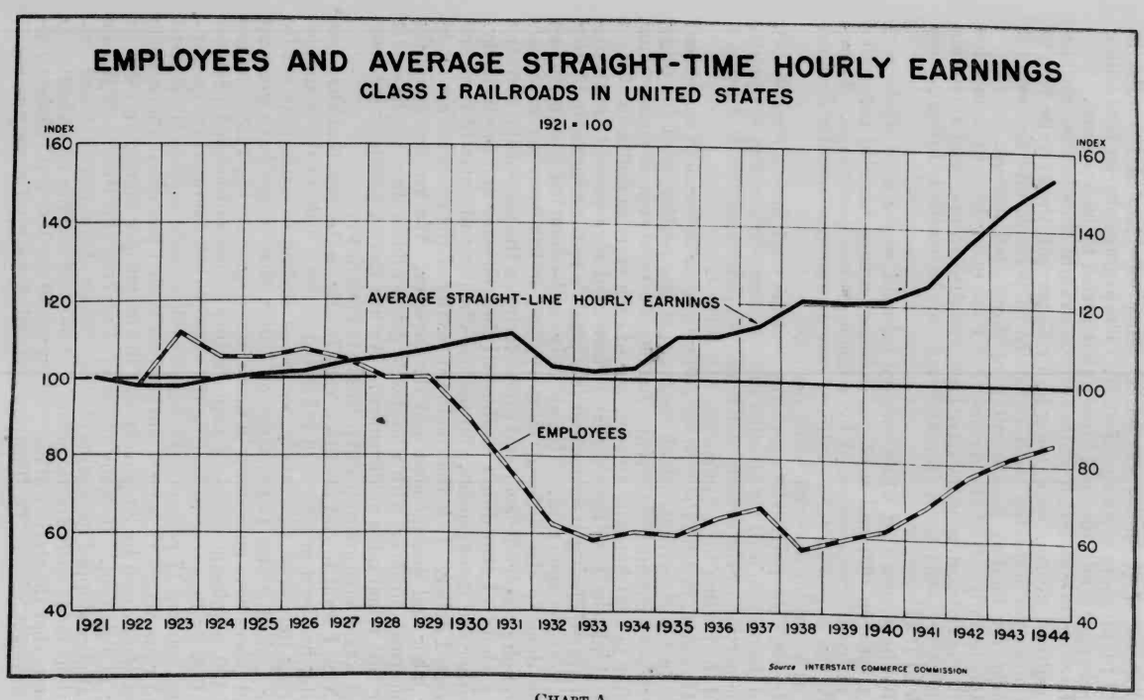


CHART A

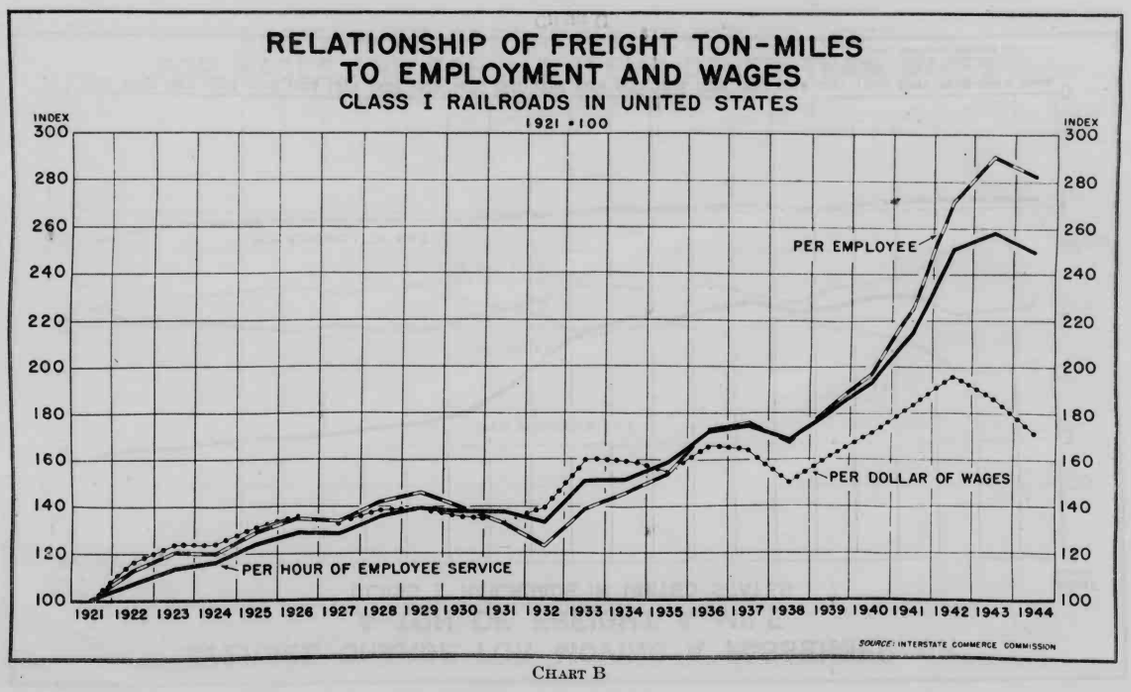


CHART B

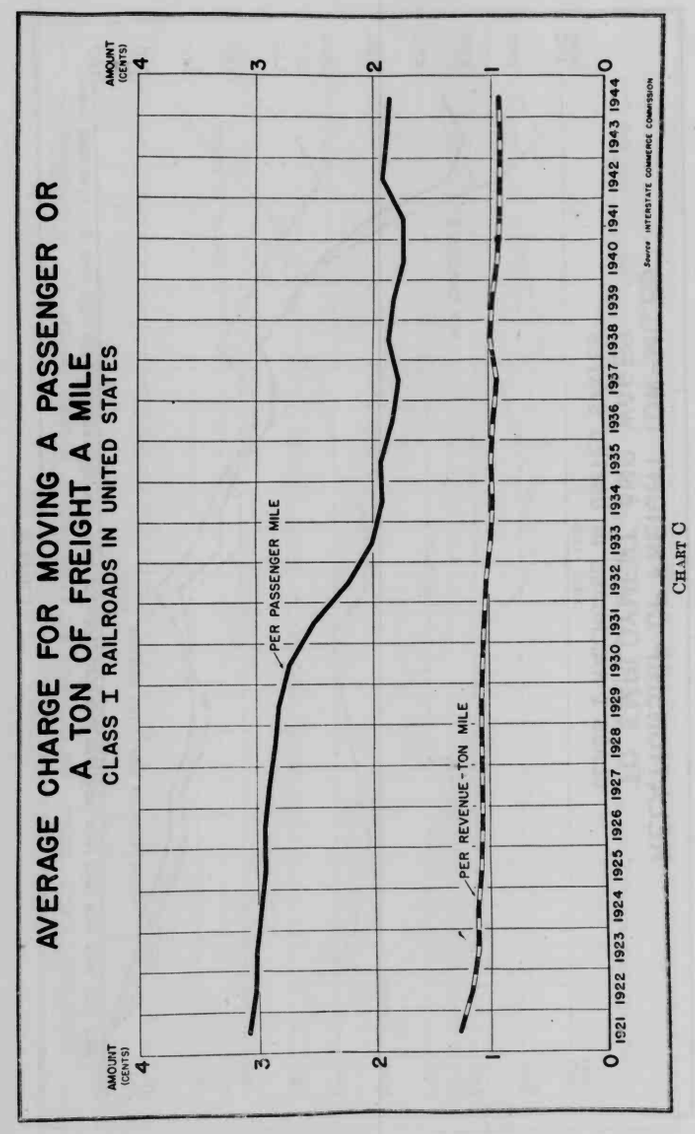


CHART C

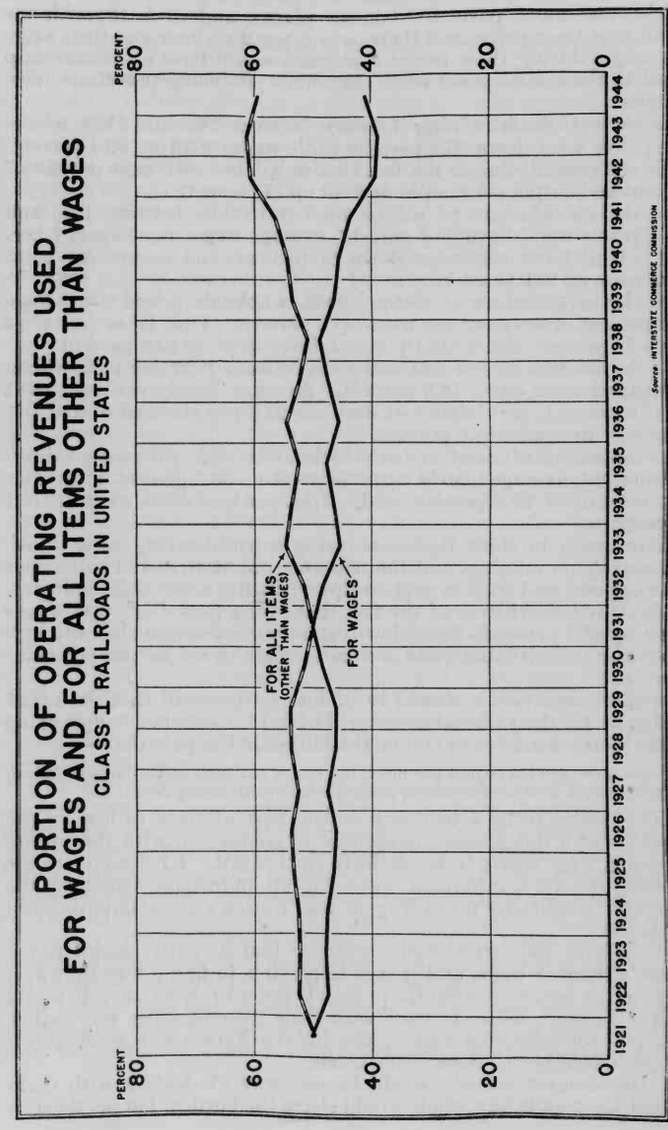


CHART D

the automobile plants turned almost entirely to producing tanks and trucks, and guns, parts for bomber planes, and so forth, with the result that their prices and their output per man-hour and their average wages during these recent war years would have no relationship at all to the earlier years when they were producing peacetime automobiles.

In the petroleum refining industry, between 1923 and 1939, wholesale prices went down 36.8 percent while wages went up 52.4 percent. This was possible due to the fact that unit labor cost went down 43.7 percent and output per man-hour went up 71 percent.

In the manufacture of rubber tires and tubes, between 1923 and 1939, prices went down 45.7 percent, average wages went up 42.7 percent. Unit labor cost went down 57 percent, and output per man-hour went up 231 percent.

In the manufacture of cotton goods, wholesale prices went down 42.5 percent, average wages went up 3 percent. Unit labor cost went down 33 percent, and output per man-hour went up 53.8 percent.

In the manufacture of iron and steel, between 1923 and 1939, wholesale prices went down 18.3 percent. Average hourly earnings went up 45.8 percent, unit labor cost declined 21.9 percent, and output per man-hour increased 86.6 percent.

In the manufacture of motor vehicles, wholesale prices went down 14.1 percent, average hourly earnings went up 33.3 percent, unit labor cost went down 21.6 percent, and output per man-hour went up 70.1 percent.

Here again in these figures covering manufacturing as a whole, and petroleum refining, and the manufacture of tires and tubes, and cotton goods, and in iron and steel, and in the automobile industry, we find further evidence of the fact that over a period of years wages do go up and prices do come down, and that is accomplished through a decrease in unit labor costs and an increase in the output per man-hour.

In this connection it should be of interest to recall that the noted economist for the railroad industry, Dr. J. H. Parmalee, in appearing before your committee to oppose the bill, stated in part that—

> if a man increases his output per hour, his wages per hour might be correspondingly increased without increasing prices, other things being equal.

There seems to be a tendency on the part of some to lean in the direction of a dangerous compromise in connection with the precise minimum wage figure to be set forth in this bill. I refer now to the tendency to fix a minimum wage for all industries, based on the miserable conditions prevailing in our Nation's most impoverished industries.

If we have industries in this country that actually cannot pay a decent minimum wage, and if it is impossible to find a way by which they can be helped sufficiently to enable them to do so, then it would seem to be much better to treat with them in some other way rather than pull the minimum wage figure for the Nation as a whole down to their miserable, Chinese coolie levels.

A Government subsidy would be one way of dealing with them so that the people as a whole would share the burden, but, as Senator Wayne L. Morse said when he was a member of the National War Labor Board:

> American labor should not be asked to subsidize American industry by working for wages below the level of health and decency.

Let Congress make no mistake about it, there are employers in every section of the country who can afford to pay a decent minimum wage but who will not do so unless compelled to by an act of Congress or by economic pressure exercised through labor unions.

Congress ought to keep in mind that the Nation has many big prosperous industries such as the fantastically rich railroad industry that still insist upon Chinese coolie wage scales in spite of their enormous revenues. A representative of the railways appeared before your committee on October 12 and presented material to show that there were 265,000 railroad workers being paid less than 65 cents an hour, 426,000 being paid less than 70 cents an hour, and 475,000 getting less than 75 cents an hour. In this public acknowledgment of social bankruptcy on the part of one of the Nation's biggest, most far-reaching, and enormously rich industries we see the answer as to what can be expected in the way of minimum wages when industry is left free to force its own selfish views on its workers.

The representative for the railways appearing before your committee to oppose the bill, pointed out that it would take $34,200,000 to bring the 265,000 railroad workers up to 65 cents who are now getting less than that. He said it would take $75,800,000 to bring the 426,000 railroad workers up to 70 cents who are under that figure. Finally, he pointed out that it would take $127,200,000 to fix a minimum of 75 cents an hour for the railroad industry.

These figures, standing alone, may sound prohibitive, so let's take a look at their relative importance. For the year 1944 the total pay roll of the class I line-haul railroads was $3,883,245,000. Therefore, the $34,200,000 required to fix a 65-cent minimum for the railroad industry would have increased the 1944 pay roll by less than 1 percent, or 0.88 percent, to be exact. To fix a minimum of 70 cents an hour for the railroad industry would have increased the pay roll by 1.95 percent, and to establish a 75-cent minimum would have raised the pay roll by 3.28 percent.

But actually, the railroads could have increased their minimum wage rates to 75 cents an hour without taking 1 cent from their net operating income. They could have done so by using just a small portion of their excess profits. In 1944, according to ICC figures, the class I railroads paid excess-profits taxes of $1,017,649,419, with 3.36 percent of these excess profits they could have taken care of the additional cost involved in the payment of a minimum of 65 cents an hour. With 7.45 percent of their excess profits they could have taken care of the 70-cent minimum and with 12.5 percent of their excess profits they could have met the additional cost of a 75-cent minimum.

And yet we find this industry coming before your committee in sackcloth and ashes predicting economic disaster if Congress should require the minimum wages presently appearing in the proposed bill.

(Mr. Keller presented the following data:)

Employees

Year	Number	Index numbers, 1921=100	Year	Number	Index numbers, 1921=100
1921	1,659,513	100.0	1933	971,196	58.5
1922	1,626,834	98.0	1934	1,007,702	60.7
1923	1,857,674	111.9	1935	994,371	59.9
1924	1,751,362	105.5	1936	1,065,624	64.2
1925	1,744,311	105.1	1937	1,114,663	67.2
1926	1,779,275	107.2	1938	939,171	56.6
1927	1,735,105	104.6	1939	987,675	59.5
1928	1,656,411	99.8	1940	1,026,848	61.9
1929	1,660,850	100.1	1941	1,139,925	68.7
1930	1,487,839	89.7	1942	1,271,077	76.6
1931	1,258,719	75.8	1943	1,355,114	81.7
1932	1,031,703	62.2	1944	1,413,672	85.2

Source: Interstate Commerce Commission statistics.

Average straight-time hourly earnings, all employees, class I line-haul railways, 1921–44

Year	Average straight-time hourly earnings		Year	Average straight-time hourly earnings	
	Actual	Index 1921=100		Actual	Index, 1921=100
1921 [1] [2]	0.608	100.0	1933	0.618	101.6
1922	.596	98.0	1934	.624	102.6
1923	.595	97.9	1935	.673	110.7
1924	.607	99.8	1936	.677	111.3
1925	.614	101.0	1937	.695	114.3
1926	.617	101.5	1938	.735	120.9
1927	.631	103.8	1939	.734	120.7
1928	.641	105.4	1940	.735	120.9
1929	.652	107.2	1941	.761	125.2
1930	.666	109.5	1942	.829	136.3
1931	.678	111.5	1943	.887	145.9
1932	.626	103.0	1944	.930	153.0

[1] Last 6 months.
[2] Includes switching and terminal companies.

Source: 1921–3, Statistics of Railways in the United States; 1944, M–300, ICC.

Revenue freight, ton-miles, per employee

Year	Number	Index numbers (1921=100)	Year	Number	Index numbers (1921=100)
1921	184,898	100.0	1933	256,615	138.8
1922	208,556	112.8	1934	266,657	144.2
1923	222,175	120.2	1935	283,633	153.4
1924	221,779	119.9	1936	318,354	172.2
1925	237,237	128.3	1937	323,524	175.0
1926	249,398	134.9	1938	308,873	167.1
1927	247,096	133.6	1939	337,599	182.6
1928	261,357	141.4	1940	363,494	196.6
1929	269,333	145.7	1941	416,757	225.4
1930	257,723	139.4	1942	501,924	271.5
1931	245,666	132.9	1943	536,542	290.2
1932	226,788	122.7	1944	521,512	282.1

Source: As reported by Interstate Commerce Commission.

Revenue freight, ton miles per hour, of employee service

Year	Number	Index numbers (1921=100)	Year	Number	Index numbers (1921=100)
1921	74.0	100.0	1933	111.6	150.8
1922	78.7	106.4	1934	112.2	151.6
1923	83.7	113.1	1935	117.6	158.9
1924	85.6	115.7	1936	126.8	171.4
1925	91.3	123.4	1937	128.8	174.1
1926	95.0	128.4	1938	124.5	168.2
1927	94.9	128.2	1939	134.0	181.1
1928	100.4	135.7	1940	142.7	192.8
1929	102.9	139.1	1941	158.9	214.7
1930	102.0	137.8	1942	185.3	250.4
1931	101.7	137.4	1943	190.5	257.4
1932	98.4	133.0	1944	184.4	249.2

Source: As reported by Interstate Commerce Commission.

Revenue freight ton-miles per dollar of wages

Year	Number	Index numbers (1921=100)	Year	Number	Index numbers (1921=100)
1921	111.0	100.0	1933	177.5	159.9
1922	128.5	115.8	1934	176.9	159.4
1923	137.4	123.8	1935	171.6	154.6
1924	137.5	123.9	1936	183.5	165.3
1925	144.7	130.4	1937	181.6	163.6
1926	150.6	135.7	1938	166.1	149.6
1927	147.3	132.7	1939	178.9	161.2
1928	153.2	138.0	1940	190.0	171.2
1929	154.4	139.1	1941	203.7	183.5
1930	150.3	135.4	1942	217.6	196.0
1931	147.6	133.0	1943	206.5	186.0
1932	154.7	139.4	1944	189.9	171.1

Source: As reported by Interstate Commerce Commission.

Traffic units per dollar of wages

Year	Traffic units [1]	Traffic units per dollar of employee compensation [1]		Year	Traffic units [1]	Traffic units per dollar of employee compensation [1]	
		Number	Index numbers (1921=100)			Number	Index numbers (1921=100)
	Thousands				*Thousands*		
1921	344,153,204	124	100.0	1933	265,564,180	189	152.4
1922	374,755,348	142	114.5	1934	286,743,507	189	152.4
1923	450,684,228	150	121.0	1935	300,512,932	183	147.6
1924	424,506,312	150	121.0	1936	361,666,826	196	158.1
1925	449,764,261	157	126.6	1937	385,275,269	194	156.5
1926	479,224,487	163	131.5	1938	311,713,371	179	144.4
1927	462,386,962	159	128.2	1939	356,089,412	191	154.0
1928	464,516,185	164	132.3	1940	397,015,197	202	162.9
1929	478,395,561	165	133.1	1941	504,422,001	216	174.2
1930	410,264,588	161	129.8	1942	691,642,118	236	190.3
1931	331,118,879	158	127.4	1943	814,894,998	231	186.3
1932	250,948,009	166	133.9				

[1] Passengers carried 1 mile plus revenue freight ton-miles.

Source: Interstate Commerce Commission statistics.

Freight revenues per revenue ton-m"e

Year	Amount	Index numbers (1921=100)	Year	Amount	Index numbers (1921=100)
	Cents			*Cents*	
1921	1.275	100.0	1933	.999	78.4
1922	1.177	92.3	1934	.978	76.7
1923	1.116	87.5	1935	.988	77.5
1924	1.116	87.5	1936	.974	76.4
1925	1.097	86.0	1937	.935	73.3
1926	1.081	84.8	1938	.983	77.1
1927	1.080	84.7	1939	.973	76.3
1928	1.081	84.8	1940	.945	74.1
1929	1.076	84.4	1941	.935	73.3
1930	1.063	83.4	1942	.932	73.1
1931	1.051	82.4	1943	.933	73.2
1932	1.046	82.0	1944	.949	74.4

Source: Interstate Commerce Commission statistics.

Revenues per passenger mile

Year	Amount	Index numbers	Year	Amount	Index numbers
	Cents			*Cents*	
1921	3.09	100.0	1933	2.01	65.0
1922	3.03	98.1	1934	1.92	62.1
1923	3.02	97.7	1935	1.93	62.4
1924	2.98	96.4	1936	1.84	60.0
1925	2.94	95.1	1937	1.79	58.0
1926	2.94	95.1	1938	1.87	61.0
1927	2.90	93.9	1939	1.84	60.0
1928	2.85	92.2	1940	1.75	57.0
1929	2.81	90.9	1941	1.75	57.0
1930	2.72	88.0	1942	1.92	62.1
1931	2.51	81.2	1943	1.88	60.8
1932	2.22	71.8	1944	1.87	60.5

Source: Interstate Commerce Commission statistics.

Portion of operating revenues used for wages and for all items other than wages

Year	Portion of operating revenues used to pay wages	Index numbers	Portion of operating revenues used for all items other than wages	Index numbers
	Percent		*Percent*	
1921	50.1	100.0	49.9	100.0
1922	47.5	94.8	52.5	105.2
1923	47.8	95.4	52.2	104.6
1924	47.7	95.2	52.3	104.8
1925	46.7	93.2	53.3	106.8
1926	46.2	92.2	53.8	107.8
1927	47.4	94.6	52.6	105.4
1928	46.2	92.2	53.8	107.8
1929	46.1	92.0	53.9	108.0
1930	48.3	96.4	51.7	103.6
1931	50.0	99.8	50.0	100.2
1932	48.4	96.6	51.6	103.4
1933	45.4	90.6	54.6	109.4
1934	46.4	92.6	53.6	107.4
1935	47.6	95.0	52.4	105.0
1936	45.6	91.0	54.4	109.0
1937	47.7	95.2	52.3	104.8
1938	49.0	97.8	51.0	102.2
1939	46.6	93.0	53.4	107.0
1940	45.7	91.2	54.3	108.8
1941	43.6	87.0	56.4	113.0
1942	39.3	78.4	60.7	121.6
1943	38.9	77.6	61.1	122.4
1944	40.8	81.4	59.2	118.6

Source: Interstate Commerce Commission statistics.

Wages per revenue ton-mile

Year	Wages per revenue ton-mile	Index numbers	Year	Wages per revenue ton-mile	Index numbers
1921	$0.901	100.0	1933	.563	62.5
1922	.778	86.3	1934	.565	62.7
1923	.728	80.8	1935	.583	64.7
1924	.728	80.8	1936	.545	60.5
1925	.691	76.7	1937	.551	61.2
1926	.664	73.7	1938	.602	66.8
1927	.679	75.4	1939	.559	62.0
1928	.653	72.5	1940	.526	58.4
1929	.648	71.9	1941	.491	54.5
1930	.665	73.8	1942	.460	51.1
1931	.677	75.1	1943	.484	53.7
1932	.647	71.8	1944	.527	58.5

Source: Interstate Commerce Commission statistics.

Indexes of prices, hourly earnings, unit labor cost, and productivity

MANUFACTURING INDUSTRIES

[1923=100]

Year	Wholesale prices	Average hourly earnings	Unit labor cost	Output per man-hour
1919	131.7	91.7	120.0	76.4
1920	151.0	110.8	131.4	84.3
1921	104.1	97.0	105.4	92.0
1922	97.3	90.5	89.5	101.0
1923	100.0	100.0	100.0	100.4
1924	97.1	104.7	98.5	106.1
1925	101.4	104.6	92.3	113.4
1926	100.8	105.1	89.7	117.3
1927	95.8	106.1	87.7	120.9
1928	96.7	107.4	85.0	126.4
1929	95.3	108.7	82.4	131.8
1930	88.7	106.1	78.5	135.1
1931	77.6	99.3	70.2	141.4
1932	70.9	88.0	64.3	136.6
1933	71.1	86.1	59.5	144.7
1934	78.8	104.0	69.1	150.6
1935	82.9	105.8	66.7	158.8
1936	82.7	105.7	66.2	159.7
1937	87.9	116.6	74.0	157.6
1938	82.9	116.0	72.3	160.6
1939	81.0	117.0	67.0	174.5

PETROLEUM REFINING

1919	155.0	97.1	140.8	69.1
1920	222.2	(1)	(1)	(1)
1921	126.4	102.6	130.7	78.6
1922	124.6	(1)	(1)	(1)
1923	100.0	100.0	100.0	100.0
1924	101.1	98.5	83.4	118.4
1925	115.0	102.1	78.3	130.6
1926	121.1	101.2	81.4	124.7
1927	88.0	100.8	75.8	133.1
1928	87.2	102.1	66.2	154.5
1929	86.3	102.1	73.0	140.1
1930	74.5	104.9	78.4	133.9
1931	47.8	108.4	66.4	163.4
1932	55.0	104.3	60.2	173.4
1933	49.6	107.5	57.6	187.0
1934	61.1	120.3	63.7	189.2
1935	62.1	128.5	62.3	207.0
1936	69.4	131.7	59.7	220.9
1937	73.2	150.8	64.5	234.1
1938	67.7	155.0	62.5	248.0
1939	63.2	152.4	56.3	271.0

[1] Not available.

Indexes of prices, hourly earnings, unit labor cost, and productivity—Continued

RUBBER TIRES AND TUBES

[1923=100]

Year	Wholesale prices	Average hourly earnings	Unit labor cost	Output per man-hour
1921	163.5	89.9	115.4	77.8
1922	105.4	89.2	100.5	88.7
1923	100.0	100.0	100.0	100.0
1924	84.6	103.9	90.2	114.9
1925	90.0	104.9	80.0	130.8
1926	91.3	104.9	77.3	135.4
1927	68.4	104.6	70.2	148.7
1928	57.9	104.4	62.7	166.6
1929	49.8	104.9	62.6	167.2
1930	46.8	107.7	56.2	191.4
1931	42.0	103.4	43.4	238.1
1932	37.5	94.2	36.6	257.0
1933	38.4	97.1	38.1	254.6
1934	41.0	117.0	44.4	262.9
1935	41.7	127.0	44.2	286.4
1936	43.1	131.4	44.8	292.7
1937	51.0	143.4	48.8	293.0
1938	52.7	142.8	46.7	305.0
1939	54.3	142.7	43.0	331.1

COTTON GOODS

1919	126.2	93.7	104.8	89.5
1920	163.1	127.1	134.9	94.3
1921	85.1	91.8	105.4	87.2
1922	89.2	87.2	87.3	100.0
1923	100.0	100.0	100.0	100.0
1924	98.1	98.4	98.1	100.3
1925	94.1	92.6	91.3	101.4
1926	85.5	86.8	89.8	96.8
1927	83.1	85.5	91.2	93.7
1928	85.9	85.7	85.1	100.8
1929	84.5	85.7	81.4	105.4
1930	72.5	85.9	84.5	101.8
1931	56.5	74.4	75.2	98.9
1932	46.2	63.2	58.5	108.0
1933	60.9	73.3	63.8	114.9
1934	74.0	99.9	82.3	121.5
1935	71.3	99.4	76.0	130.8
1936	68.7	97.4	67.7	143.8
1937	72.1	109.2	76.0	143.8
1938	55.9	104.8	72.7	144.2
1939	57.5	103.0	67.0	153.8

IRON AND STEEL

1919	110.8	90.4	129.2	70.0
1920	133.9	111.4	125.5	88.8
1921	93.3	91.0	112.4	81.0
1922	83.6	80.3	77.4	103.7
1923	100.0	100.0	100.0	100.0
1924	93.3	112.0	110.3	101.5
1925	87.1	108.5	94.1	115.3
1926	85.3	108.5	91.5	118.5
1927	80.3	109.9	91.5	120.1
1928	79.7	112.1	82.7	135.6
1929	80.9	111.8	82.1	136.4
1930	76.0	114.9	89.1	128.7
1931	71.0	104.2	83.4	125.2
1932	67.7	100.9	77.3	130.4
1933	67.0	97.4	69.4	140.3
1934	73.9	116.0	84.1	137.9
1935	73.9	118.8	80.4	147.8
1936	74.7	117.8	77.3	152.4
1937	83.7	142.3	91.9	154.9
1938	84.1	145.3	91.7	158.4
1939	81.7	145.8	78.1	186.6

Indexes of prices, hourly earnings, unit labor cost, and productivity—Continued

MOTOR VEHICLES

[1923=100]

Year	Wholesale prices	Average hourly earnings	Unit labor cost	Output per man-hour
1919	131.1	91.5	149.5	61.1
1920	147.8	105.9	159.2	66.5
1921	131.9	98.1	120.4	81.5
1922	107.3	90.4	103.0	87.8
1923	100.0	100.0	100.0	100.0
1924	98.9	102.0	100.6	101.4
1925	96.9	103.7	97.6	106.3
1926	92.0	100.1	89.0	112.4
1927	88.4	104.4	91.9	113.6
1928	89.3	105.6	87.9	120.1
1929	92.0	102.4	71.5	143.2
1930	86.5	97.9	64.5	151.7
1931	83.3	97.3	71.8	135.5
1932	80.1	97.7	82.9	117.9
1933	76.5	86.0	60.3	142.7
1934	80.6	106.7	73.5	144.9
1935	77.4	110.8	65.5	169.0
1936	76.6	115.2	66.2	173.8
1937	82.2	128.3	75.1	170.9
1938	87.8	132.0	77.8	169.6
1939	85.9	133.3	78.4	170.1

RAYON

1926	120.6	[1]	[1]	116.0
1927	100.0	100.0	100.0	100.0
1928	100.8	[1]	[1]	108.9
1929	82.5	104.6	96.9	107.8
1930	69.8	119.7	88.4	135.5
1931	49.7	102.9	63.7	161.7
1932	42.7	89.0	53.7	166.0
1933	39.8	94.9	44.1	215.2
1934	38.5	115.6	52.5	220.6
1935	37.6	118.7	49.4	240.4
1936	38.4	120.1	46.7	257.8
1937	40.2	138.2	49.1	281.6
1938	34.9	144.4	46.7	309.2
1939	34.7	147.1	41.5	354.6

[1] Not available.

Source: U. S. Department of Labor, Bureau of Labor Statistics, Oct. 3, 1945.

Distribution of railroad employees in service of class I [1] railroads of the United States on June 30, 1941, by size of communities (1940 census) in which they reside

Population of communities, towns, and cities	Number	Percent of total maintenance of way	Number	Percent of total, all railroad employees
Living in country	27,329	12.65	56,151	5.25
Less than 1,500	70,441	32.61	121,862	11.39
1,500 to $2,500	13,522	6.26	40,106	3.75
2,500 to 5,000	16,207	7.50	70,051	6.55
5,000 to 10,000	16,656	7.71	87,710	8.20
10,000 to 25,000	18,602	8.61	122,928	11.49
25,000 to 50,000	12,985	6.01	98,581	9.21
50,000 to 100,000	8,577	3.97	94,732	8.86
100,000 to 250,000	10,717	4.96	101,524	9.49
250,000 to 500,000	8,668	4.01	109,919	10.27
500,000 and over	12,335	5.71	166,224	15.54
Total	216,039	100.00	1,069,788	100.00

[1] Includes employees of all except 26 class I railroads whose figures were not available. The 26 railroads operate 7,936 miles out of 232,291 miles operated by all class I railroads.

Mr. KELLER. I have some charts to show briefly that wages go up and prices come down, and that that has been happening over the years, and I would like to introduce these tables, and I would not be unhappy if you would incorporate the charts in the record.

Senator TUNNELL. Let them be incorporated. Of course, some of these things we cannot get into the record, probably, when it comes to the printed record, but we will have to do the best we can.

(The charts referred to appear on the pages following.)

Mr. KELLER. Dr. Parmalee told you in this industry we have 265,000 workers who would be affected by a 65-cent minimum, 476,000 by 70 cents, and 475,000 by 75 cents. Mr. Parmalee's figures, while I always find them interesting, I seldom can agree——

Senator TUNNELL. The same ones would be counted three times?

Mr. KELLER. Yes, sir. Now, he pointed out that in order to give everybody a 65-cent wage who is not getting it would take $34,000,000; $75,800,000 to bring everybody up to 70 cents, and $127,000,000 to bring everybody up to 75 cents who is not getting it in the railroad industry. Now, let me take a look at it in its relative importance. The class I railroads' pay roll in 1944 was a little better than $3,833,000,000. Therefore, the $33,200,000 that would be required to increase that pay roll enough to pay 65 cents to everybody who does not get it would increase the pay roll by less than 1 percent, or 0.88; to raise it to 70 cents would increase the pay roll 1.95 percent, and to increase everybody to 75 cents would increase the pay roll 3.28 percent. But actually the railroads could have increased their minimum rates for everybody in the industry up to 75 cents without having one red cent from their own operating income; they could have done that by using a very small portion of their excess profits. They had more than $800,000,000 excess profits in 1943, and in 1944 they had $1,017,649,000 in excess profits.

Senator SMITH. Are you speaking of excess profits before taxes?

Mr. KELLER. I am speaking about the excess profits paid in as taxes. With 3.36 percent of that excess profit, they could have taken care of the 65 cents.

Senator SMITH. Would the Government let them?

Mr. KELLER. If they had been paid, it would have been part of their operating expense and it would have come out automatically.

Senator SMITH. I realize that, but the thing I want to get at is that prior to this period, prior to the big bulge because of the war, I was led to believe railroads were in bad financial position, and that after the war, since they would be in competition with motor vehicles and airplanes they would perhaps be in the same situation they were in 1936, 1937, and 1938. I am not trying to defend them, but if you take the war-bulged figures, they are not the right figures to show what they might have done.

Mr. KELLER. Having lived with the railroads for all these years, we know they have a sharp pencil. When things change they are very good at putting things down. Everybody who wants to deal with things fairly, and not be a professional mourner, anticipates a lot of business for the railroad industry for qute a few years to come.

The war is over for some industries, but we are right in the middle of the war as far as the railroad industry is concerned, bringing people back home, and even when the factories are through with reconversion we will still be busy.

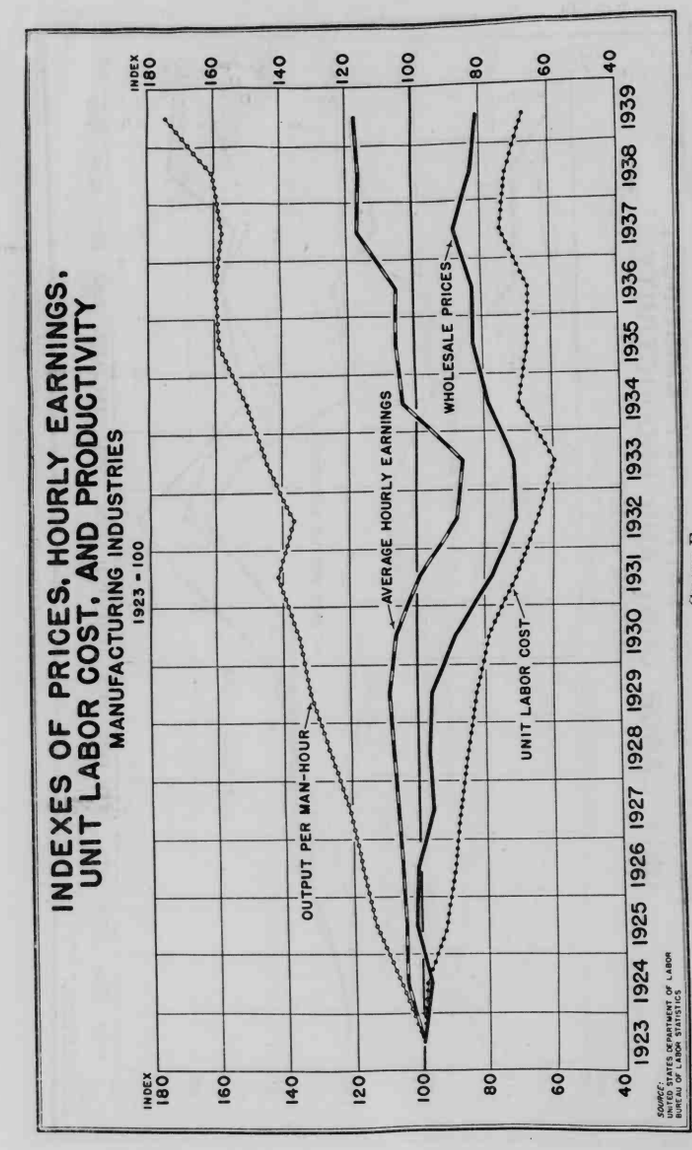


CHART E

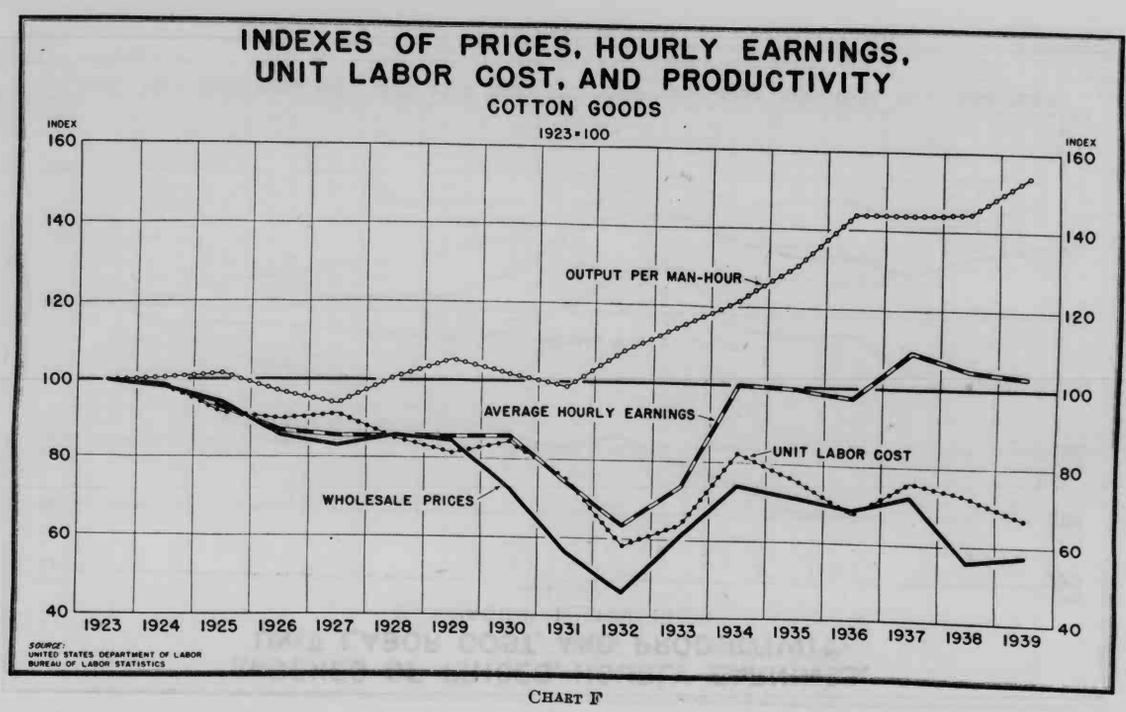


CHART F

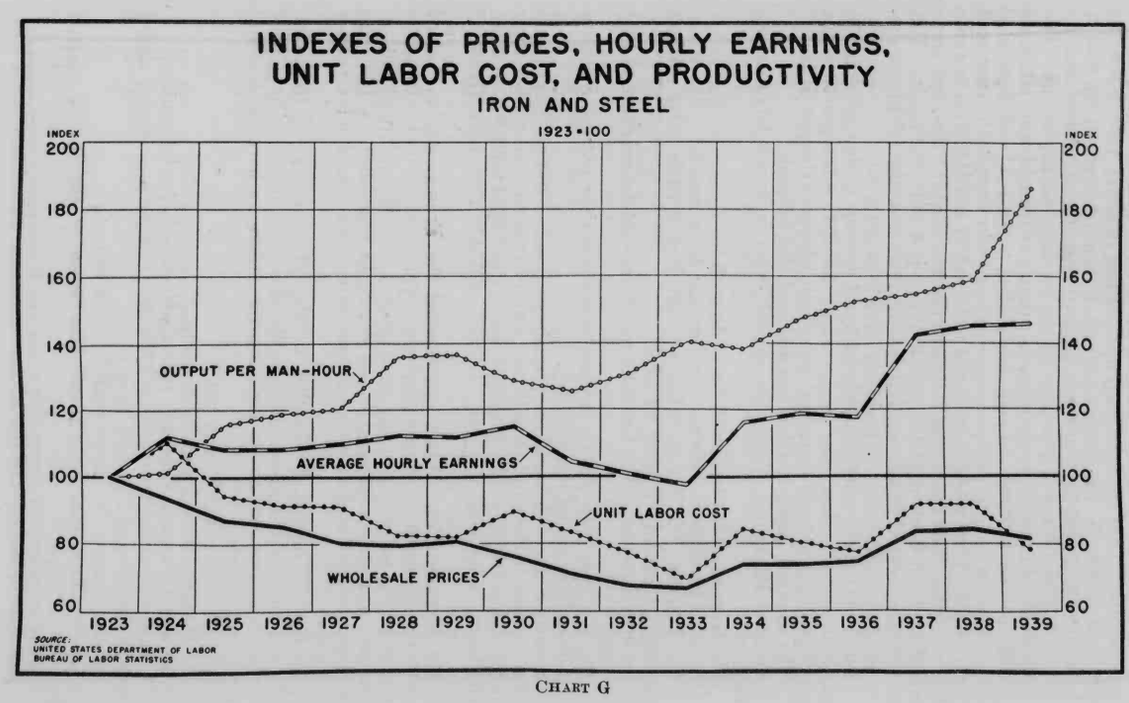


CHART G

Then we will pick up the backlog all of the way from toothpicks to automobiles. Our job is to keep up, and our industry faces a terrible problem to handle the business which is being forced on us, and it looks like that will be a problem we will have for several years. As we see it, there is not any probem of the railroads' ability to pay. The Interstate Commerce Commission felt that way, too, because when we got an increase in 1942, the railroads rushed to the ICC and demanded an increase in freight and passenger rates to take care of the increased wage rates. That was canceled and deferred by the ICC two or three times because they found the railroads did not need it. I do not know whether it has been wiped out entirely, or just deferred again. But they got increased passenger and freight rates that the ICC later discovered they did not need, and they have been deferred.

Incidentally, the portion of the railroad revenue dollar going to the railroad industry has been diminishing. In 1941 labor got 50 cents, and now labor gets 40 cents, and everybody else gets the rest of it.

The amounts going to labor has declined 18.6 percent.

Senator ELLENDER. What has caused that; is it not labor-saving devices?

Mr. KELLER. That has had a lot to do with it.

Senator ELLENDER. Has that not been the main reason?

Mr. KELLER. We like to think we have been a little more efficient ourselves, too, and we think we have.

Senator TUNNELL. The Government has gotten a good share of that in taxes.

Mr. KELLER. Yes, sir, in the last few years they got more than a billion dollars out of the industry.

Senator SMITH. I do not see why the railroads could not have given that increase to the employees if they could have deducted it from their taxes, unless they feared it would set levels they could not keep up when the let-up came after the war. I think probably they were afraid of that.

Mr. KELLER. Yes. When you enacted the Transportation Act of 1940, you declared a railroad policy, and you declared it should be the policy of the railroads to pay good wages. Wages are operating expenses. Congress said good wages should be paid, and the ICC was directed to fix freight and passenger rates that would meet proper expenses.

So, if we do not get good wages, we are not measuring up to the declared policy of Congress, but are subsidizing an industry by gift of money which was meant to make up the difference between low and reasonable wages.

Senator TUNNELL. Thank you.

Mr. KELLER. Thank you, very much.

Senator TUNNELL. Our next list of witnesses is for Thursday.

I have not talked to Senator Ellender, but Senator Smith and I both think we cannot be here next week.

Senator SMITH. No; next week I cannot be here.

Senator TUNNELL. So I would like to see us finish this week if possible.

Senator SMITH. We have Thursday and Friday.

Senator TUNNELL. Off the record.

(Discussion off the record.)

Senator ELLENDER. I thought Mr. Wallace and Mr. Bowles and Mr. Snyder were going to be heard.

Senator SMITH. I would like to ask permission to insert in the record an excerpt from a report which I was privileged to participate in writing, covering a study of over 2 years by the old Glenn Frank committee, bearing on economic conditions, entitled "A Program for a Dynamic America," published by the Republican program committee in February 1940.

We had a discussion of the labor situation, and there are two paragraphs entitled: "The Determination of Wages and Hours" and "Real Wages for Labor," that I would like to put in the record at this point as a contribution to the whole consideration of policy on wages and hours.

Senator TUNNELL. It may be inserted in the record.

(The document is as follows:)

[The section on labor contained in A Program for a Dynamic America, published by the Republican program committee in February 1940]

THE DETERMINATION OF WAGES AND HOURS

Except in situations where minimum wage and maximum hour regulation is necessary to protect groups of workers not in position to protect themselves through collective bargaining, wages and hours should be determined by collective bargaining between freely chosen representatives of labor and management.

It has been a persistent assumption in certain circles that the increase of wage rates and the reduction of hours by law broaden the distribution of income and jobs. Few will question the appropriateness of the Federal Government's providing defense for the defenseless or of its setting limitations upon "sweating," which injures the health of workers. But there is no satisfactory evidence that the political regulation of wages and hours beyond this point increases the real income of workers or raises the general level of employment. It may, indeed, do the precise opposite.

There is particular danger involved in legislating wage rates in a depression period. The big companies, with cash or credit available, are likely to raise their prices to absorb the increased production costs, speed up the installation of labor-saving machinery, and reduce their labor staff, while the small companies, which may not be in position to raise their prices or install labor-saving machinery to meet the larger production costs, may be forced out of business, and their workers be forced out of jobs.

The Federal Government cannot possibly make the many wage and hour adjustments that would be necessary to meet wisely the varying conditions in a territory as large as the United States. Labor unions working through their resident representatives familiar with local conditions are in position a central government cannot be, to adapt their policies to the real interests of both labor and employer in a local situation. Such labor unions can see to it that the condition of the worker is improved as fast as business conditions warrant, without imposing such arduous conditions on the employer as to destroy the employment which it is sought to preserve. Labor organization and State law should be preserved as the primary means for remedying subnormal labor standards.

If the Federal Government assumes anything like general responsibility for the advance of wages and the determination of hours beyond the protective minimum suggested, the stage is set for the ultimate political domination of organized labor.

REAL WAGES FOR LABOR

Insofar as Government policy can effectively influence the income of workers, its concern should be with the real wages of labor, with what they will buy and bring to the living standard of workers, and what wages will buy depends more upon a proper relationship between costs and prices in both industry and agriculture than upon hourly or weekly wage rates.

It is possible to have a high-wage rate, slight employment, and a low-wage total for labor individually and in mass. Obviously the healthiest wage level both for American workers and for American enterprise is the level at which maximum employment can be maintained at the highest feasible yearly income for the largest possible number of employable workers. This is an axiom alike with enlightened labor leadership and enlightened industrial leadership. A wage rate, no matter how high, and hours, no matter how short, cannot provide food, clothing, or shelter to a worker without a relatively steady job.

Sustained and satisfactory buying power for American workers cannot be realized by any simple formula of wage and hour legislation. The thing that most seriously affects the volume of employment and the real income of labor is undue rigidity of costs and prices throughout our economy. If wage, hour, price, and profit policies are flexible, far-sighted labor leadership and far-sighted industrial leadership can maintain such adjustment between these factors that production will be increased, prices lowered, effective consumer demand lifted, total profit improved, and the real wages of labor raised. If, on the other hand, monopolistic or controlled prices, along with profits, are inflexibly held at too high a level in relation to other factors, often to protect a contracting industry, or if wage rates are held inflexibly at too high a level in relation to other factors, then production slumps, consumer demand shrinks, profits dwindle, and the real wages of labor fall.

It is the function of Government, not by price fixing or political decrees regarding costs, but by promoting fair and effective competition, to foster such adjustments between costs and prices in business, industry, and agriculture as will tend to increase production, lower prices, life consumer demand, improve profits, and raise the real wages of labor.

Senator TUNNELL. We will adjourn until Thursday morning at 10 o'clock.

(Whereupon the committee adjourned until Thursday, October 25, 1945, at 10 a. m.)

AMENDMENT OF THE FAIR LABOR STANDARDS ACT

THURSDAY, OCTOBER 25, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424, Senate Office Building, Senator James Tunnell presiding.

Present: Senators Tunnell, Ellender, and La Follette.

Also present: Charles Kramer, consultant to the committee.

Senator TUNNELL. Mr. Donner, you may proceed.

TESTIMONY OF FRANK DONNER, ASSISTANT GENERAL COUNSEL, THE CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. DONNER. Mr. Chairman, my name is Frank Donner. I am assistant general counsel of the Congress of Industrial Organizations.

I would like to register the support of my organization to that portion of section 16 (b) which amends section 16 (b) to provide that actions to recover liability under the Fair Labor Standards Act may be maintained at any time within 5 years from the accrual of such liability.

Senator TUNNELL. You mean your organization favors the 5 years' limitation?

Mr. DONNER. Yes, indeed. The CIO is convinced that some period of limitations is imperative in order to provide uniformity in the statute and to curb existing attempts by the States to undermine the rights granted by the statute.

It is likewise our position that only a period of limitations of at least 5 years will do justice to the purposes and policies of the legislation. The necessity for a fixed period of limitations is based upon the following grounds:

(1) As presently interpreted, in the absence of a statute of limitations in the Fair Labor Standards Act, the staute of limitations of the particular State in which the suit is brought applies. This means that the durabiltiy of the worker's right turns upon the law of a particular State with the result that not only does the applicable statute of limitations vary from State to State and the enforcement process has become highly balkanized, but the employers in States with long periods of limitations are placed at a competitive disadvantage with respect to the employers in States with short statutes.

Senator TUNNELL. Why should not it vary?

Mr. DONNER. Let me say here that the purpose of the Fair Labor Standards Act was to prevent unfair competition in the national market, to prevent the employer in one State from being placed at a

competitive disadvantage with respect to employers in another State which is a low-wage area. Now, you defeat that to a certain extent if you do not have a uniform statute, because you have a Federal statute here and the Federal right should be uniform in its application.

Now, there are a number of reasons why it is not uniform not only from State to State but even within a particular State the character of this right changes, depending upon whether the lawsuit is construed as an action on an oral contract, an action on a written contract, or an action on a statutory liability. This has resulted in creating different periods of limitations for the assertion of precisely the same right, depending upon the way a particular court construes the nature of the action or upon whether the worker is suing upon a written collective bargaining contract or an oral contract of hire. So you have got this highly diversified situation not only from State to State but within a particular State.

The third reason you should have a uniform statute is that in some States the courts have applied a different period of limitations to suits for single damages and to suits for liquidated damages on the theory, rejected by the Supreme Court, that the liquidated damage suits are suits for a penalty.

The Supreme Court has held that both of those sections are compensatory and should be treated as a whole, but the Supreme Court of Mississippi, for example, has held that one kind of statute applies to the liquidated damages section and another kind to the straight damages section.

I want to outline as to why we think a 5-year period of limitations is appropriate and necessary. I will go into these in some detail in a moment.

(1) A shorter period of limitations than 5 years would seriously undermine the employees' rights and the public interest in fair labor standards.

(2) The economic dependence of the employee upon the employer makes prompt filing of a suit by an employee difficult if not impossible, since the employee fears that a suit will mean his discharge. In fixing a statute of limitations for the Fair Labor Standards Act we must avoid placing the employee in the position of choosing between his job and his right of action. We must recognize the fact that employee suits are generally brought after the termination of employment which has given rise to the cause of action.

Senator TUNNELL. The present law is no statute?

Mr. DONNER. No statute at all. What happens is that an employee, in our experience, does not sue until he terminates his employment which has given rise to his cause of action. That means some period of limitation has to elapse if you are going to give the employee a fair chance to recover.

Senator TUNNELL. Cannot a person sue for wages immediately when they become due?

Mr. DONNER. He certainly can, but he is afraid he will lose his job if he does.

Senator ELLENDER. I think that should not be a good excuse.

Mr. DONNER. You see, the Federal legislation is based on the notion of economic coercion. Whether it should be an excuse or not, it certainly operates that way. We have had scores of cases coming to our office in which employees have waited until they lost their

employment before they sued. Most of the cases in the Supreme Court have come up that way.

(3) The purpose of a statute of limitations is to relieve a defendant from the obligations of refuting a stale charge at a time when the evidence is likely to have disappeared, but such a consideration is not conducive to the establishment of a short period of limitations under the Fair Labor Standards Act since the employer is already required by law to keep a record of his wage payments and hours of service.

(4) Wholly apart from his record-keeping obligations under the law the employer is in a far better position to know the requirements of the law and to be informed of his legal obligation through the advice of counsel and information services than is the underpaid employee.

(5) A short period of limitatons will reward employers who gamble on evading the act and transfer the burden of the statute from his wrongdoer to his victim.

Senator TUNNELL. Is not that an argument that would apply in every case where a suit is brought against an employer for anything?

Mr. DONNER. I think it would. I think you have got to consider the peculiar circumstances of this statute, because here you are dealing with the most underpaid group of employees in our community. I think while that general consideration might apply, certainly with respect to this kind of a lawsuit, I think every equity ought to be given to the employee under such circumstances.

To go back to my original argument that some statute of limitations is necessary, I do not think anybody can quarrel with the fact that the situation at present is very bad.

(6) A short period of limitations will not only injure the rights of the individual employee but seriously threaten the entire enforcement machinery of the act, since the damage provision seeks not only to compensate the injured employee but to deter other employers as well.

No extensive argument appears to be necessary to demonstrate that a uniform statute of limitations is imperative in order to effectuate the purposes of the Fair Labor Standards Act. It was the primary purpose of the Fair Labor Standards Act to establish a uniform Federal wage and hour policy so that the low standards of one area could not serve to place the employers of another area at a competitive disadvantage. Now, neither section 16 (b) of the act nor any other section prescribes any period of limitations during which employee suits must be initiated or maintained. Under the Rules of Decisions Act (28 U. S. C. A. 725 (R. S. 721)) the statutes of limitations of the several States, in the absence of Federal legislation, are regarded as "rules of decision" binding upon the Federal courts in actions at law instituted in such courts. (See *Bauserman* v. *Blunt*, 147 U. S. 647; *Campbell* v. *Haverhill*, 155 U. S. 610.) Moreover, the statute of limitations of the State in which the suit is brought also governs when the jurisdiction of the State court is invoked.

Where, however, a Federal statute prescribes a period of limitations during which the right must be enforced, such period of limitations is controlling both in respect to actions initiated and maintained in State as well as in Federal courts.

Application of these principles has produced two trends in the State courts, both equally dangerous and undesirable. In the first place, the State courts are not in agreement among themselves as to whether the statute of limitations governing contracts or statutory causes of action govern and whether limitations concerned with written or oral contracts are controlling in these suits. In the second place, during recent years, particularly in the nonindustrialized States, a race has been set in motion to apply through new legislation extremely short periods of limitation to suits brought under this act. In one instance an Oregon statute providing a 6-month limitation period was held unconstitutional by the Federal District Court of Oregon as constituting an unreasonable interference with the normal operations of the act and of the exercise by Congress of a power in a field subject to its regulation (*Earth* v. *Clark Lumber Co.* (D. C. Oregon 1944)).

In another instance the Federal District Court of Iowa held ineffective to bar a suit under the act an Iowa statute providing a 6-month limitation period. As a basis for this conclusion the court held that Congress alone had the right, authority, and power to determine the time within which actions might be brought under the act and that the limitations period prescribed by the Iowa Legislature constituted an unlawful usurpation of the exclusive power of Congress (*Kappler* v. *Republic Pictures Corporation* (D. C. Iowa 1945)).

The result of recent legislative activity by the States in this field has been to promote diversity. Such a situation would be bad enough under any statute of limitations, but it is intolerable when applied to the Fair Labor Standards Act. The very purpose of the Fair Labor Standards Act was to prevent the employer of underpaid labor from placing his competitor at a disadvantage in the national market. Yet the lack of legislation does that very thing. It invites the individual States to cut short the rights granted by the act so as to secure a competitive advantage for local business.

The evils involved in permitting the States to undercut Federal rights was the subject of a statement by the Secretary of Labor in December 1943. Commenting on the tendency among States to take away from employees rights granted by the Federal Government, Secretary of Labor Perkins had this to say in December 1943:

> A new type of antilabor legislation made its debut this year which is of the utmost importance in connection with workers' wage-claim rights. On the surface it was not labor legislation at all and so largely escaped attention as such, since it comes under statutes of limitations. In six States laws were passed limiting the period during which workers may institute suits for recovery of wages and overtime due them. The time limitation varies in the six laws from 6 months to 3 years. You can readily see that these laws affect the administration of State minimum-wage and wage-collection and wage-payment laws as well as the Federal wage-hour law. They set wage legislation apart from statutes of limitations for other types of contract claims which are usually 6 or 7 years.

More recently Wage-Hour Administrator Walling has noted in his annual report:

> As last year's annual report shows, several States have attempted nullification of the act by drastically reducing the period of limitations applicable to employee suits under the act. I recommend the addition to the act of a reasonable statute of limitation. If this is done varying State standards which penalize some workers in the collection of wages legally due and give competitive advantage to violators in States with arbitrarily lowered statutes of limitation will no longer prevail. An employee's ability to collect back wages due him should not depend on the accident of geography.

To add to the confusion which has arisen from unrestrained State action in this field, is the persistence by some States in the practice of setting an extremely short limitation period for the liquidated-damages portion of the statutory remedy and a longer one for the provisions sanctioning single damages. This practice in effect amends the statute, since it is the law that the compensatory and liquidated portions of the remedy are to be treated as a unified whole. The courts have repeatedly held that they are compensatory in character and not penal.

The absence of Federal legislation permits State courts to divide these remedies for purposes of a statute of limitations and in effect to reverse the judgment of Congress that there is only a single remedy under section 16 (b). Indeed, in treating the liquidated damages portion of the remedy as a penalty State courts failed to realize that action for the recovery of such a penalty cannot under Federal law be brought in State courts since the Judicial Code now provides that the Federal courts have "exclusive jurisdiction of all suits for penalties and forfeitures incurred under the laws of the United States" (18 U. S. C. A. sec. 471).

It is therefore clear that there is an imperative need for a statute of limitations which will give effect to the judgment of Congress that there be a uniform right to recover for violations of the Fair Labor Standards Act.

In considering an appropriate period of time for a statute of limitations there are two major considerations which throw light on the problems: (1) The importance of the interest which is created and which the statute is intended to preserve and (2) the difficulties of proof involved. As the Supreme Court has noted in *Order of Railway Telegraphers* v. *Railway Express Agency* (321 U. S. 342), the purpose of a statute of limitations is to prevent the bringing of a lawsuit at a time when the evidence has become stale and the issue therefore difficult to prove. We deal first with the importance of the interest which the statute creates.

In a recent decision involving the nature of the right granted by section 16 (b) (*Brooklyn Savings Bank* v. *O'Neil* (65 S. Ct. 895)), the Supreme Court pointed out that the purpose of the act was to—

> protect certain groups of the population from substandard wages and excessive hours which endangered the national health and well-being and the free flow of goods in interstate commerce—

and that the right granted by section 16 (b)—

> constitutes a congressional recognition that failure to pay the statutory minimum on time may be so detrimental to the maintenance of the minimum standard of living "necessary for health, efficiency, and general well-being of workers" and to the free flow of commerce that double payment must be made to insure restoration of the worker to that mimimum standard of well-being.

See also *Overnight Motor Co.* v. *Missel* (316 U. S. 572, 583). In other words, the right to recover damages under section 16 (b) is a right which is intermeshed with a vital public interest.

The proposal that an employee be given a short period in which to bring his action under the statute after the cause of action has accrued is not only unfair to the employee, as we shall presently show in more detail, but is a grave threat to the public interest which,

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under the scheme of the statute, depends upon the effectiveness of the remedy under section 16.

As the Supreme Court recently observed in the case of *T. C. & I. Railroad* v. *Muscoda* (321 U. S. 590, 597):

> these provisions (the overtime provisions), like other portions of the Fair Labor Standards Act, are remedial and humanitarian in purpose. We are not dealing here with mere chattels and articles of trade but with the rights of those who toil, of those who sacrifice a full measure of their talents and freedom to the use and profits of others. These are rights which Congress has specially legislated to protect.

"Such a statute," said the Supreme Court, "must not be interpreted or applied in a narrow, grudging manner."

A short period not only places a cheap price on the rights protected by the Fair Labor Standards Act, legislation which was placed on the books during the Roosevelt administration after bitter struggles by labor, but ignores the general equities of the situation. A short period in effect says to the employer: "If you can successfully evade the statute long enough and hold on to the money which belongs to the employee for a long enough period, in the case of the Gwynne bill 1 year, why you can keep it, even though it doesn't belong to you and the statute says it doesn't belong to you." In other words, the imposition of a short period of limitations for employee suits has the effect of making the employee suffer for the employer's wrongdoing.

There is nothing either in the statute or in the case law which justifies thus making the violating employer impose the burden of his violation upon the employee victim. By the express terms of the statute the burden of compliance is placed upon the employer. That a short period of limitation unfairly burdens the employee and will interfere with the enforcement of a statute is apparent from the employer-employee relationship. It has been the experience of the Congress of Industrial Organizations that employees rarely sue their employers for damages under section 16 until they have left their current employment. The economic power of the employer over his employee is such that an employee is unwilling to risk his job in order to get what the statute gives him. The result of a short period will be to punish an employee for his economic helplessness. His relationship to his employer prevents him from promptly bringing an action, and the statute says: "If you do not bring it promptly, you have no action at all."

Moreover, as between the employer and the employee, who can doubt that the employer is in a better position to know that he is complying with the law than the employee. Our experience has been that the employee, with his pitiful resources, is frequently totally unaware that he is entitled to more under the law than he is being paid. He does not have the benefit of continuous advice of counsel, as do most employers. He does not have access to records, to special services which show the relation of his work to interstate commerce. He does not normally keep records of wages and hours, which the employers under the statute are required by law to keep. So, in effect, the Gwynne bill says to the employee: "Even if you have limited means of finding out whether the law is complied with, even though your economic helplessness deters you from proceeding against an employer when you do discover a violation, we are going to require you to sue within a year's time or else lose the benefits of the statute."

If this committee will but scan the scores of cases which show gross overriding of the employee's will, willful disregard of the law, falsification by employers on a wholesale scale of their records and accounts in order to evade the law, then it would at once become clear that what is required is not the procedural punishment of the employee but a statute of limitations of such breadth and liberality as to insure that his peculiar situation and the evasion devices improvised by employers on a wholesale scale should not become the means for jeopardizing the public interest which the statute embodies.

The totally unfair character of a short limitation period is emphasized by the fact that the only authoritative source that the employee has of whether he is being treated in accordance with the act is the investigation by the Fair Labor Standards investigator. But suppose that, as is often the case, the investigators do not reach a plant until 3 or 4 years after the violations have occurred. Even assuming that the employee would dare risk his employer's displeasure by suing for damages, his primary source of information as to his rights are uncertain and slow.

The whole relationship of the investigation machinery of the Administrator to the employee's right is destroyed by a short period of limitation. Unwilling to risk economic reprisal by his employer the employee waits until the Administrator, as the result of an investigation, may induce the employer to make a voluntary settlement under the statute. An employee may cool his heels and wait for an inspection and find that his right has cooled off at the same time. Certainly a year's time is far too short for permitting the employee to take advantage of the inspection machinery. The Administrator's inspection staff is limited and frequently does not get around to inspecting a particular business for a number of years.

In view of the important nature of the interest which the Fair Labor Standards Act protects and apart from any other considerations, a short period of limitation set cannot vindicate the purposes of the statute. When this fact is considered together with the superior position of the employer to obtain the knowledge of the law and his coverage under it and the economic subjection of the employee, it can hardly be open to question that a short statute of limitations insofar as it affects suits under the Fair Labor Standards Act is a major departure from the broad purposes and policies of the Act.

It must be realized that a short period of limitions is not only unfair to the individual employee but will generally impair effective enforcement of the act. This is so because Congress intended that the liability imposed by section 16 (b) exert a deterrent effect upon employers. The Supreme Court in the Brooklyn Savings Bank case made it clear that the purpose of section 16 (b) was to aid in the enforcement of the general policies of the statute by exerting a deterrent effect and pointed out that the right was not only compensatory but in fact an enforcement measure which Congress intended should play a dominant part in securing compliance with the act. The court in the Brooklyn Savings Bank case said:

> Although this right to sue is compensatory, it is nevertheless an enforcement provision and not the least effective aspect of this remedy is the possibility that an employer who gambles on evading the act will be liable for payment not only for the basic minimum originally due but also damages equal to the sum left unpaid.

A requirement that an employee commence an action for unpaid wages and liquidated damages within a year from the accrual of his cause of action will certainly encourage "an employer to gamble on evading the act." An employer may well gamble that such suits will not be commenced within the 1-year period or that if commenced recovery will be sufficiently small so as to justify evasion and noncompliance with the terms of the Fair Labor Standards Act.

Apart from the series of discriminatory State statutes which seek to undermine Federal rights, the statute of limitations in most of the States governing contract actions as well as statutory actions is very commonly 5 or 6 years.

Alabama: Actions founded on promises in writing (not under seal), 6 years (title 7, No. 21); actions upon any simple contract (title 7, No. 21), 6 years (Code of Alabama 1940).

Arizona: Action upon a liability created by statute, 1 year (Code of Arizona 1939, No. 29–201).

Arkansas: Instruments in writing not under seal, 5 years (No. 8933); all other actions not included in other provisions, 5 years (No. 8938) (Digest of Statutes of Arkansas 1937).

California: Acting upon a liability created by statute, 3 years (California Code 1937, No. 339).

Colorado: All actions of debt founded upon any contract, 6 years (Colorado Statutes Annotated 1935, ch. 102, No. 1).

Connecticut: Contract in writing, 6 years; oral contract, 3 years (General Statutes of Connecticut 1930, sec. 6005).

Delaware: Actions of debt, 3 years (Revised Code of Delaware 1935, No. 5129).

District of Columbia: Contracts express or implied, 3 years (District of Columbia Code, 1940 edition, No. 12–201).

Florida: Action upon a liability created by statute, 3 years (Florida Statutes 1941, title VIII, 95.11).

Georgia: Statutory rights, 20 years; simple contracts in writing, 6 years (Georgia Code 1933 (3–704)).

Idaho: Action on liability created by statute, 3 years (Idaho Code Annotated (1932 official ed.) 5–218).

Illinois: Actions on unwritten contracts express or implied, 5 years (No. 16); written contracts, 10 years (No. 17) (Illinois Revised Statutes 1943, ch. 83, Nos. 16 and 17).

Indiana: Contracts not in writing, 6 years; contracts in writing other than those for the payment of money, 20 years (Baldwin's Indiana Statutes Annotated 1943, No. 61).

Iowa: Unwritten contracts, 5 years (subpar. 5); written contracts, 10 years (subpar. 6) (Code of Iowa, 1939, ch. 487, No. 11007).

Kansas: Action on liability created by statute, 3 years (General Statutes of Kansas Annotated 1935, No. 60–306).

Kentucky: Action on liability created by statute, 5 years (Kentucky Revised Statutes 1942, 413.120).

Louisiana: Actions of workmen, laborers, and servants for the payment of their wages, 1 year (Louisiana Civil Code Annotated 1932, art. 3534).

Maine: Actions on contract, 6 years (Maine Revised Statutes 1930, ch. 95, sec. 90).

Maryland: Actions of debt on simple contract, 1 year; action of assumpsit, 1 year (Maryland Annotated Code 1939; art. 57, No. 1).

Massachusetts: Actions of contract founded upon contract or liability express or implied, 6 years (General Laws of Massachusetts 1932, ch. 260, sec. 2).

Michigan: All personal actions, 6 years (Compiled Laws of Michigan 1929, No. 13976).

Minnesota: Action on liability created by statute, 6 years (Minnesota Statutes 1941, vol. 2, ch. 541.05).

Mississippi: All actions for which no other period of limitation is prescribed (covers written contracts), 6 years; any unwritten contract, express or implied, 3 years (Mississippi Code 1942 Annotated, Nos. 722 and 729).

Missouri: Action upon a liability created by statute, 5 years (Revised Statutes of Missouri 1939, No. 1014).

Montana: Action on liability created by statute, 2 years (Montana Revised Code 1935, No. 9033).

Nebraska: Action on liability created by statute, 4 years (Revised Statutes of Nebraska 1943, ch. 25, 206).

New Hampshire: Contracts under seal, 20 years; all other personal actions, 6 years (Revised Laws of New Hampshire 1942, ch. 385).

New Mexico: Contract in writing, 6 years (No. 27–103); unwritten contracts, 4 years (No. 27–104) (Statutes of New Mexico 1941 Annotated).

New Jersey: Actions in the nature of debt founded upon contract, 6 years (Revised Statutes of New Jersey 1937, 2:24–1).

New York: Liability created by statute, 6 years (Cahill's New York Civil Practice Act (7th ed.), sec. 48 of the New York Civil Practice Act).

North Carolina: Actions upon a liability created by statute, 3 years (General Statutes of North Carolina 1943, No. 1–52).

North Dakota: Action on right created by statute, 6 years (Revised Code of North Dakota 1913, sec. 7375).

Ohio: Contract not in writing or action on liability created by statute, 6 years (Throckmorton's Ohio Code Annotated 1940, No. 11222).

Oklahoma: Action on liability created by statute, 6 years (Oregon Compiled Laws Annotated 1940, No. 1–204).

Pennsylvania: Actions of debt grounded on contract, 6 years (Purdon's Pennsylvania Statutes 1936, title 12, No. 31).

Rhode Island: All actions of debt founded upon any contract, 6 years (General Laws of Rhode Island 1938, ch. 510, sec. 3).

South Carolina: Actions on liability created by statute, 6 years (Code of Laws of South Carolina 1942, No. 388).

South Dakota: Actions upon liability created by statute, 6 years (South Dakota Code of 1939, 33.0232).

Tennessee: Actions on contracts, 6 years (Code of Tennessee 1932, No. 8600).

Texas: Actions for debt where the indebtedness is founded upon any contract in writing, 4 years (art. 5527); actions for debt where the indebtedness is not evidenced by a contract in writing, 2 years (art. 5526) (Vernon's Texas Statutes 1936).

Utah: Written contracts, 6 years (104–2–22); contracts not in writing, 4 years (104–2–23) (Utah Code Annotated 1943).

Vermont: Actions on contract, 6 years (Public Laws of Vermont 1933, sec. 1648).

Virginia: Contract in writing but not under seal, 5 years; oral contract, 3 years; (Virginia Code of 1942, title 57, ch. 238, No. 5810).

Washington: Action on contract in writing, 6 years (No. 156). Action on contract not in writing, 3 years (No. 159) (Remington Revised Statutes of Washington Annotated 1932, title 2, ch. 3).

West Virginia: Contracts in writing, 10 years; oral contracts, 5 years (Official Code of West Virginia 1931, ch. 55, art. 2; No. 6).

Wisconsin: Action on liability created by statute, 6 years (Wisconsin Statutes 1943, ch. 330.19).

Wyoming: Contracts in writing, 10 years (89–409); actions on liability created by statute, 8 years (89–410) (Wyoming Revised Statutes 1931).

Senator ELLENDER. Let us take a grocery bill, for example. I know on contracts in some States you can recover within 10 years.

Mr. DONNER. Is that not a contract? Is not that an action in assumpsit?

Senator ELLENDER. I am talking about open accounts, bills.

Mr. DONNER. All of those actions are construed as actions on an oral contract. In all of these States that I have read you the statute of limitations is 5 or 6 years for bills.

Senator ELLENDER. What is it in Louisiana?

Mr. DONNER. In Louisiana, they have got a special statute. Actions of workmen, laborers, and servants for the payment of their wages, 1 year.

Senator ELLENDER. How about open accounts?

Mr. DONNER. I do not have that.

Senator ELLENDER. Three years. That is about the average of all States, from 1 to 3 years, on open accounts.

Mr. DONNER. That is not according to the laws I have checked up.

Senator ELLENDER. Well, you better go back and look.

Mr. DONNER. Instruments in writing not under seal, 5 years. All other actions not included in other provisions, 5 years.

All actions of debt funded upon any contract, 6 years in Colorado.

Contracts in writing, 6 years, and oral contracts, 3 years, in Connecticut.

The Georgia statute requires 3 years on oral contracts.

Now, what is a grocery bill if not an action of debt on an oral contract?

What is it classifiable legally, if not that? That is what the cases hold it is.

Senator TUNNELL. It is either assumpsit or debt.

Mr. DONNER. That is right, and the contract is what you sue on. That is major argument. You have got to consider the fact that we have a pattern in American jurisprudence that is about 5 or 6 years. I do not think this committee or the Congress should discriminate against the workers' wage claim.

Senator TUNNELL. Let me ask you this: Is there any question of the right of a State to fix a different limitation on an indebtedness created in that State?

Mr. DONNER. Under this Fair Labor Standards Act?

Senator TUNNELL. If the Fair Labor Standards Act becomes a law, that is, this portion of it, is there any question as to the right of a State to have a different statute of limitations? For instance, if we say 5 years and the State of Delaware says 3 years, which we do have now, a 3-year statute, is there any question of the right of the State to fix a statute of limitations for the contracts in that State?

Mr. DONNER. Not at all, sir, except for actions arising under this Federal statute which would remain uniform subject to the limitation period you fix.

Senator TUNNELL. I have not looked into it at all.

I was just wondering whether there could be a question as to the right of a State to fix its own statute of limitations.

Mr. DONNER. In the absence of Federal legislation, the State statute of limitations governs. When the Federal Government legislates it occupies the field and with respect to that cause of action the Federal law is supreme.

Now, the converse of that has come up in a situation in which a State has unfairly discriminated against a Federal law. Now, that happened in both Iowa and Oregon, and in both those instances the law was held unconstitutional, because it was unfair discrimination.

Senator TUNNELL. Do you have a list of States in which there is a distinction between contracts for labor and other contracts?

Mr. DONNER. Yes. I have listed here all the statutes of limitations relating to this problem, and I have read them to you.

Senator TUNNELL. You have not answered what I asked. I asked if you have a list of States, if there are such, where there is a distinction or a difference between the statute of limitations in the recovery of labor claims and other claims.

Mr. DONNER. The only one that I have come across is Louisiana. Now, there may be others. I would not say my list was complete on that.

Senator TUNNELL. What is the one on labor again?

Mr. DONNER. Actions of workmen, laborers, and servants for the payment of their wages, 1 year. That is the Louisiana Civil Code, 1932.

Senator TUNNELL. And on other bills it is how much?

Mr. DONNER. Some are 3 years.

Senator ELLENDER. That is open account.

Senator TUNNELL. That is what it is in our State.

Senator ELLENDER. I do not know of a State where it is over that. There may be a few that may go over 4 or 5 years.

Mr. DONNER. I have not doctored this compilation. I took it from an authoritative source.

Senator ELLENDER. You have it there probably for contracts.

Mr. DONNER. Well, that is what an action for a bill is.

Senator ELLENDER. I am talking about written contracts.

Mr. DONNER. I have it both for oral and written contracts.

Senator ELLENDER. We have in Louisiana statutes of limitation from 30 years down, depending on the kind of transaction it is.

Mr. DONNER. In New Jersey, actions in the nature of debt founded upon contracts, 6 years. That is in the Revised Statutes of New Jersey, 1937.

Senator ELLENDER. A negotiable instrument may be 5 years.

Mr. DONNER. Of course, they vary.

Senator ELLENDER. Sure; but on open accounts I do not believe it is over 3 years.

Mr. DONNER. That is construed as an action in debt on an oral contract.

Senator ELLENDER. Yes.

Mr. DONNER. My statement is that they provide 5 or 6 years in those cases.

Senator ELLENDER. I will put that in the record. Maybe it has been changed since I practiced law, but my recollection is it averages about 3 years. Very few States have more than 3 years on open accounts.

Mr. DONNER. I may be wrong, but this is what my sources reveal.

Senator TUNNELL. We have a different statute on instruments under seal.

Mr. DONNER. That is usually longer, and it is longer for a certain reason, because of the facility of proof. That is analogous to our situation. If you do not have facility of proof the employer has violated another section of the statute. He has failed to keep his records.

It will be noted that in the great majority of State statutes relating to wage claims, contracts, and liability created by statute, the period that governs is 5 or 6 years.

Now, if this committee is prepared to depart from this generally accepted and time-tested period of 5 or 6 years it must supply an answer to this question: "Why should a worker be required to face a suit for his grocery bill or his clothing bill or for an automobile accident 5 years after he incurred such a bill and be required to sue in a shorter period of time for his wages with which to pay such obligations." Let us bear in mind in considering the equities in the situation that we are dealing here with the attempts of the most underpaid and underprivileged people in our society to secure their rights under a Federal statute. Even under 5- and 6-year limitation periods employers all too frequently escape liability because of the unwillingness on the part of the employee, part of whose wages he has been withholding, to risk his job. Under such circumstance the very least that a Federal statute of limitations can provide for is 5 years.

It may be anticipated that this committee will hear the views of those who will picture the plight of an employer faced with large claims for compensation and liquidated damages. But one thing must be borne in mind even on the most favorable view of the facts for the employer, and that is this: That the statute places the burden of compliance upon the employer and that any legislative adjustment which rests upon a theory that the employee should be prompt in asserting his rights will tend to take money away from the lowest-paid groups in our community and to permit employers to pocket such money at their expense. In *Overnight Motor Co.* v. *Missel* (316 U. S. 572) the Supreme Court specifically held that violations which "resulted from an inability to determine whether the employee was covered by the act" would not justify relieving the employer of the burden and shifting it to the employee. The Court said:

> Perplexing as petitioner's problem may have been the difficulty does not warrant shifting the burden to the employee. The wages were specified for him by the statute, and he was no more at fault than the employer. The liquidated damages for failure to pay the minimum wages under sections 6 (a) and 7 (a) are compensation, not a penalty or punishment by the Government.

The cases abound with instances where employees are deliberately deceived as to their rights by the law departments of corporate employers (e. g., *Smith* v. *Continental Oil Co.*, 8 W. H. R. 152), where employers have launched criminal schemes involving fraudulent bookkeeping (e. g., *Butler* v. *Carter*, 8 W. H. R. 92, Georgia Supreme Court; *Gosinski* v. *Eclipse Glass Co.*, 8 W. H. R. 587), where even after the entry of a court decree employers have extracted fraudulent releases from their employees, where powerful employers have terrorized their employees for years into a surrender of their statutory rights, these employers and thousands like them are certainly entitled to no procedural relief. If the act is to be meaningful it must be uniformly enforced, it must be rigidly enforced, and it must be enforced with a view to the realities of the situation so that employees deceived by their employers as to their rights and without benefit of counsel, frequently subjected to strong economic coercion, may receive and enjoy the rights accorded to them by their Federal Government.

That completes my statement.

Senator TUNNELL. Thank you, Mr. Donner. Is Mr. Beardsley here?

Mr. BEARDSLEY. Senator, Mr. Lawrence, of our organization, is also here, and we planned that he go on first.

Senator TUNNELL. All right, Mr. Lawrence, you may proceed.

TESTIMONY OF JOHN W. LAWRENCE, MANAGING DIRECTOR, AMERICAN TRUCKING ASSOCIATIONS, INC.

Mr. LAWRENCE. Mr. Chairman and members of the subcommittee, my name is John W. Lawrence. I am managing director of American Trucking Associations, Inc., the only national organization representing the interests of operators of motortrucks generally. We have some 52 affiliated associations, at least 1 in each State, the District of Columbia, and the Territory of Hawaii. Our membership is composed of both for-hire and private carriers, the latter being engaged in the transportation of their own property.

Our industry is opposed to enactment of S. 1349 as presently worded. My colleague, Mr. Beardsley, and I shall try, briefly, to give you the reasons for our opposition.

In discussing the economic picture of the industry, I shall for obvious reasons have to confine myself primarily to that found in the for-hire branch. Private carriage is incidental to some other form of enterprise, and consequently it would be quite impossible to discuss the effects of this bill on that branch of the industry in the limited time available here.

During the past year the revenue position of most motor carriers has become critical. Just prior to the war motor carrier operating expenses absorbed about 94 cents out of each revenue dollar. In other words, this was an operating ratio of 94. Then came Pearl Harbor, which cut off our rubber supply, caused Government to stop production of motor trucks and led to the making of replacement parts of inferior quality in order to save strategic materials. Many people in Government were of the firm opinion that the industry would collapse in March 1943, or at the latest in June of that year. We know now that the industry carried on right through VJ-day to now.

In 1943 rapidly mounting costs, although offset to some extent by increases in rates, increased the operating ratio of 94 to nearly 96. Additional rate increases were received in 1944 but the ratio of expenses to revenue in that year was over 97 percent. In continues at an alarming rate in 1945.

The upward trend in cost was decidedly similar in all territories as will be found by examining exhibit No. 1. The Eastern District had an operating ratio of 95 in the year 1942, 96.8 in 1943, 97.0 in 1944. The

Southern Region had an operating ratio of 94.0 in 1942, 96.5 in 1943, and 98.1 in 1944. The corresponding figures for the Western District were 92.5, 93.8, and 97.0.

Senator LA FOLLETTE. What do you mean by "operating ratio"?

Mr. LAWRENCE. I was going to explain that.

The operation ratio is the number of cents out of every revenue dollar spent on expenses. In other words, if 97 cents was spent in expenses, that is an operating ratio of 97. It is found in transportation statements generally.

You will notice that progressively in every one of the regions this operating ratio has increased over those years.

Senator ELLENDER. How does that affect your profits?

Mr. LAWRENCE. In other words, it is narrowing.

In fact, in the early part of this year, and just in recent months, they are spending 100 cents, or a little over 100 cents, on every dollar in expenses, so the profits are disappearing completely.

Some of them are running in the red.

Senator ELLENDER. When you say the ratio is 96.2, does that mean that you make only the difference between 96.2 and 100?

Mr. LAWRENCE. That is correct, sir.

Senator TUNNELL. Who determines what percentage you put down for your carrier?

Mr. LAWRENCE. This is a tabulation of some 1,400 class I carriers, based on their reports to the industry's commission that they are required to make quarterly, and semiannually.

Senator TUNNELL. For instance, if you had a truck which you bought 2 years ago, what is it carried on the books at now?

Mr. LAWRENCE. It is carried on the books in line with depreciation schedules laid down by the Internal Revenue Bureau.

There has been a tendency there to extend those schedules to decrease the annual amount of depreciation, even though most of our equipment has been running double mileage during these recent years.

For instance, I know one particular operation where their trucks ordinarily made 96,000 miles of road trips average a year, but they were doing 182,000 miles every year during the war, so you can see they are wearing out faster and there is expensive work done on them to keep them going.

The offsetting of increased costs by increases in the rate structure has definite limits. There is a strong feeling in the motor-carrier industry that these limits have nearly, if not already, been reached. The competitive influence of other types of transportation forms a very effective barrier against increasing rates to offset pyramiding costs.

Today the motor carriers are faced with a serious problem of rehabilitating not only their physical fleet, which is virtually all sadly overage, but their financial position as well. One leading public official in the transportation field recently stated that while the motor carriers had practically doubled the tons handled during the war over their immediate prewar average they were the one big industry he knew of, that was not coming out of the war with heavy cash balances, but in a crippled financial condition.

These figures, of course, are given for class I carriers subject to the jurisdiction of the Interstate Commerce Commission. Those are the larger carriers whose annual gross revenues amount to $100,000 or more per year. Back in 1941 when the Wage-Hour Administrator was holding hearings to increase the minimum wage in the trucking industry to 40 cents prior to the statutory date, he asked the Interstate Commerce Commission to make a survey of financial conditions among class II and class III carriers.

The Interstate Commerce Commission study, prepared and submitted at the hearing by Mortier LeFever, associate economist in the Research Division of the Bureau of Motor Carriers, was based on data furnished by 950 carriers, 637 of whom operated in the region designated as north and the remaining 313 in the South.

When the gross revenues of the 950 operators were compared with the sums they actually paid out as expenses 60 of them, or 6.9 percent of the total, showed deficits. When the revenues were compared with the paid-out expenses, plus wages the owner saved by reason of work performed by himself or members of his family for which they received no compensation, 371 of the 950 carriers or 42.7 of the total showed a deficit. When a normal expected return on investment was added to the expenses the number of carriers showing a deficit jumped to 440, or 50.6 of the total.

While no subsequent study of this kind has been made by the Interstate Commerce Commission, subsequent checks of this situation indicate that the picture has not changed to any great extent today and that the class II and class III carriers are in about the same relative position now.

Throughout the war years these motor carriers have been confronted with constantly increasing wage scales and labor costs. A check with a carrier in this territory shows that despite the Little Steel formula the wage scale of his drivers has increased 30 percent in that period, and this company is not unusual but rather typical of the general run of motor carriers.

With a financial operating picture such as I have presented here and which is based on the figures of the Interstate Commerce Commission, it can be readily seen that even were this bill a simple proposal embodying the amendment to section 6 raising progressively the minimum wage to 65 cents and then to 75 cents, the industry is in such present shape that it could not meet its bills. While only in certain territories is the minimum wage paid as low as the statutory minimum of 40 cents per hour provided in the Fair Labor Standards Act, any increase in this minimum would eventually be reflected in a proportional increase everywhere when adjustments occur to allow for differentials both as between territories and as between the various job classifications.

This bill goes farther, however, because by amending section 8 of the Fair Labor Standards Act the administrator is authorized to fix wage rates and differentials between individual job classifications. In other words, the full impact of this general rise in labor costs would be felt throughout the industry immediately, or at least as quickly as the administrator could carry out this rather monumental task.

To show what this would mean we have only to consider its effect on one territory, the Southern Territory as shown in my exhibit 1.

Based on the document "Statistics of Class I Motor Carriers For Year Ending December 31, 1943—Official Publication of the Interstate Commerce Commission," we find that the pay roll of 1,477 of these class I carriers amounted to 47.1 of their total revenue. In the

southern region, pay roll of class I carriers amounted to 46.4 percent of their total revenue.

When the Administrator of the Fair Labor Standards Act held hearings in the fall of 1941, looking toward raising before the statutory date, the minimum wage in the trucking industry to 40 cents, most of the difficulty created under this move developed in the so-called southern area as covered by the statistics from the Interstate Commerce Commission which I have presented here. It was apparent that the minimum wages paid in that area at that time in many operations were below this amount.

It may be that under awards of the War Labor Board the minimum wages paid in some operations in the South exceed this 40 cents so to be quite conservatively high we shall take an average minimum wage of 45 cents for that territory at the present time. I still think I am somewhat high but on that basis we would have an increase in the minimum wage of 44½ percent as between 45 cents and 65 cents an hour and, of 66⅔ percent as between 45 cents and 75 cents per hour.

As I have previously stated it is proposed in this bill to grant the Administrator the power to establish differentials between the interrelated job classifications so we could properly expect that these percentages would be reflected in the increased pay roll that would confront the motor carrier in all classes of employment.

To meet these increased pay rolls, therefore, the motor carriers in Southern Territory would have to spend 22 cents additional in each revenue dollar to meet the 65 cents minimum and 30 cents per revenue dollar additional to meet the 75 cents minimum.

As will have been seen from the exhibit which I have submitted there is just not this additional revenue available over and above present expenses which in 1944 consumed 97 cents in each revenue dollar.

This would be true of Southern Territory and, with the natural consequence that territorial differentials would be maintained in their present relative positions under this new minimum wage, a similarly impossible situation might be expected to develop in the other territories.

There is one further provision of this bill having a marked economic effect on motor carriers and I refer to that provision wherein it is proposed to amend section 13 (b) so that the exemption applicable under that section as to hours only extended to certain employees of motor carriers engaged in interstate commerce would be made much more restrictive than under present interpretations of the act.

This proposed exemption would apply only where the employees in question spend the greater part of any workweek in work with respect to which the Interstate Commerce Commission has established qualifications and maximum hours of service.

This industry when the Fair Labor Standards Act was under discussion by the joint committees of the House and Senate presented its situation. The original exemption was enacted into the law. This industry felt then and still feels that it was the intention of Congress to grant those motor carriers subject to the jurisdiction of the Interstate Commerce Commission the same exemption that was granted to the railroads, namely, to all employees of common and contract carriers and to those employees of private carriers whose duty affected safety of operations.

That qualification was put in there because if a plant had 10,000 employees and probably 150 truck drivers, it was to confine the Commission's jurisdiction only to the truck drivers and not to have it run to the 10,000 inside employees.

In other words, we have always felt that intent to be clear when reading the exemption contained in section 13 (b) of the Fair Labor Standards Act in connection with the paragraphs to which it applied in Interstate Commerce Act, part II, commonly known as the Motor Carrier Act.

The Interstate Commerce Commission, however, for reasons best known to itself, interpreted the provisions of the Motor Carrier Act as giving it jurisdiction only over those employees whose duties affect safety of operation.

A three-judge Federal court reversed the decision of the Commission, but the Commission's decision was upheld by the Supreme Court in a 5 to 4 vote.

This action in the first place robbed the motor carrier industry of what it thought it had when the Fair Labor Standards Act was passed, namely, equality with the railroads so far as exemption from the hours provisions of the Fair Labor Standards Act was concerned. This present bill before your committee would further circumscribe even the limited number of employees of motor carriers now granted that exemption and visit on motor carriers a further unfair disadvantage as compared with their competitors.

I shall not attempt to outline to you at length the great amount of confusion and disastrous liability that is being visited on our industry by administrative distortion of the intent of Congress. I shall rather leave that to my associate, Mr. Beardsley, who will follow me in this testimony.

At the same time, I should like to make a few comments on this situation, to sum it up, as it were.

In the common carrier and contract carrier branches of our industry we find those who carry the public's goods and who are in no position to determine the ultimate intendment of those goods. The majority of these carriers are common carriers, bound by specific legislation or the common law to transport whatever is offered. If we are the least bit realistic, it is patent that the common carrier cannot call in a lawyer, or a battery of lawyers, to determine on each shipment the coverage of any Federal or State laws.

It would be natural for the shipper, when queried, to reply that that was none of the carrier's business. The common carrier had held out to carry freight as offered, and he had better do so "or else."

The contract carrier, once he has entered into a contract with an individual shipper, is in much the same position. From then on, it is his duty to carry out the contract, to carry everything and anything coming within the terms of the contract, without question.

It was quite apparent that Congress had given sound thought to this situation when it enacted the Fair Labor Standards Act in 1938, with the exemption from overtime provisions of the act covering employees of motor carriers in section 13 (b).

What has happened as far as that exemption is concerned?

We have a peculiar situation to contend with. The exemption ran to those employees over whom the Interstate Commerce Commission had jurisdiction.

The Interstate Commerce Commission, contrary to the time-honored course followed by Federal bureaucracy, began to deny jurisdiction over as many classes of employees as they conveniently could.

On the other hand, the Wage-Hour Division moved in on the situation and asserted control right and left, with constantly changing "interpretations" of the law which would arouse envy of many of the bureaus of the defeated Axis governments.

The conflict which has necessarily resulted from this invasion by one Government agency of the domain of another becomes more confusing with the passage of time.

To my mind, the confusion which resulted has reached a high point recently when a position taken by a mechanic against his employer was successfully sustained in a case in one of the lower courts, the legal phases of which will be treated by Mr. Beardsley.

The Interstate Commerce Commission has found that mechanics have duties which affect safety of operation and consequently are under its jurisdiction.

The case in question involved an employee who had no other duties than that of mechanic. In this case, however, the mechanic, in repairing engine assemblies, did not work on the truck engine mounted in the chassis.

The employee, in line with practice followed by many progressive concerns in the automotive field over the last 20 years, had followed the "replacement unit" method in his maintenance operations.

When a truck came in with engine trouble, that part of the engine was removed, a new one quickly installed, and the vehicle went on its way doing an essential job. The defective engine assembly was put through the shop, completely repaired, and then placed in stock to be mounted in the next truck which came in with a defective engine.

The plaintiff employee contended that while a mechanic who repaired an engine mounted in the chassis, tying up the truck for hours or days, was exempt from that act, the mechanic who repaired a replacement engine, or other assembled unit removed for repair and replaced with another unit in the truck to send it back on the road, was not exempt and overtime penalties were, therefore, to be paid.

At the same time that successful attempts were being made under the Fair Labor Standards Act to stem the progress of more than 20 years in automotive maintenance practices, the Office of Defense Transportation, charged by the President with keeping transportation at a wartime peak, and trucking-industry representatives, faced with handling double the tonnage of prewar years, were pressing the War Production Board to release spare engine, transmission, and rear end replacement units to keep the over-age truck fleet rolling.

Throughout the war, motor carriers with plenty of other troubles, such as lack of tires, over-age equipment, low-quality gasoline, inferior replacement parts, have been harassed constantly by Government employees in the Wage-Hour Division in what appears to be a continual effort to detract from the Commission's jurisdiction and to bulldoze motor carriers into paying allegedly past-due overtime wages.

The following excerpt from a letter which I have recently received is typical of scores of comments I have had from our people for the last several years:

> The attitude displayed by inspectors has been very distasteful. They try, through long periods of questioning, to break down or trap operators—one such session lasting from 10 a. m. until 3 p. m. without a stop—telling employees their rights to sue for recovery of wages, in one case a man's wife, before any determination of fact is made, and generally assuming an attitude of guilt before the facts are ascertained. It appears that certain foreign policies prevail in the tactics and methods employed.

The economics of the effect of this restriction in the exemption would be most difficult to ascertain. Piled as it is on top of the effect of this drastic raising of the minimum-wage provisions of the act, the motor carriers are simply staggered at its implication.

I may be said that all of these increase in wage costs can be taken care of in increases in the prices that this industry so far as the for-hire branch is concerned can charge for its services. But there are many factors to be taken into account, just as they were taken into account when Congress enacted the Fair Labor Standards Act originally and accorded this industry exemption in section 13 (b).

First of all, it is to be pointed out that 44 of the 48 States have some degree of control over intrastate rates charged by motor carriers.

The only States not having such control are the States of Delaware, Illinois, New Jersey, and Vermont, and in addition to them there is no such control in the District of Columbia.

The Interstate Commerce Commission, as the committee well knows, controls the rates of common and contract carriers in interstate commerce other than those carriers who are exempt because of handling agricultural products or otherwise exempted by the Motor Carrier Act.

It is well known that a regulated industry whose rates are controlled in that fashion is under extreme difficulty to secure rate increases to meet rising costs of the nature proposed in this bill. Relief may come some day but usually the patient has died in the interim.

As I mentioned before, we must point out in the second place that motor carriers feel and with justification, that they cannot go on raising rates above and beyond the level of railroad rates and still expect to remain in business.

And further, we must point out that increasing the output for employees is not easy of accomplishment in this industry as it is in many others.

In other words, speeding up their output.

Every State in the Union and the District of Columbia has adopted a law to cover maximum sizes and weights of the vehicles which these carriers may operate. It still takes at least one man to drive one truck and with State limitations placed on the load there is no avenue of escape in that direction of increasing the individual driver's output. By the same token every State and the District of Columbia have speed laws which must be observed by these drivers so it can be seen that the output per man must of necessity remain rather static.

Finally, the trucking industry has been obliged to maintain over decades a longer work day and week than the average maintained by the manufacturing or other enterprises that it serves.

As one example, in peacetime trucks rolled into the New York garment center shortly after 7 o'clock in the morning. The truck backed to the curb. Soon the doors swung open and the truck cargo came to life. It was silk, thousands of dollars worth.

That was the base material coming in, and they took out what had been worked on the night before.

Thirty minutes after it arrived, that material, which in this case I imagine was silk, was in those shops, and it had left the southern mills in the Carolinas 500 miles away early the previous morning.

Thirty minutes from the time the silk was unloaded from the truck, hundreds of women were at work on it. By nightfall it was speeding by motor truck in finished form to stores far away.

There are any number of examples of this type, establishments to which over-the-road or local cartage trucks bring needed materials before the work day opens, and from which the final product is taken right up to the time the establishment closes at the end of the day.

And then the driver still has several hours of work to do.

For years, union contracts covering drivers and other employees arrived at through collective bargaining have been based on this peculiar character of this industry, recognizing that transportation must be adapted to the needs of industry and agriculture, of which it is the life blood.

Application of hour provisions of the Fair Labor Standards Act superimposes excessive conditions on the trucking industry not visited on other forms of transportation by that act, and on top of union contracts arrived at in good faith which already take care of the situation.

In other words, the trucking industry is thus under a "double penalty" as compared with its competitors.

To sum up, visiting the provisions of these various bills as introduced upon the motor-carrier industry just means virtual confiscation, the impossible dilemma of being saddled with a labor cost that it cannot meet while being confronted with an almost impossible situation in increasing its rates or prices.

Senator TUNNELL. What do you pay?

Mr. LAWRENCE. Pay scales?

Senator TUNNELL. Yes.

Mr. LAWRENCE. They vary, Senator, around the country.

In this territory I work, those men used to get 50 to 52 straight time per week. That has been increased considerably. I think the schedule at the present time right here is over 85 cents, or 92 cents an hour for the drivers.

Senator TUNNELL. Do you have a minimum of 65 cents?

Mr. LAWRENCE. In this territory, I doubt it, because you will recall that this covers janitors and watchmen, that might be only two or three employees around the plant.

As soon as you raise them, you have got to raise everybody, undoubtedly, to maintain the relationship.

Senator TUNNELL. What do the drivers get?

Mr. LAWRENCE. I know of no driver in the northern territory getting les than that. But they are skilled men, and in fact it takes us at least a year to train a road driver, Mr. Chairman.

Senator TUNNELL. Then, acording to your figures, this business is going to have to go out entirely, is it not?

Mr. LAWRENCE. If they get saddled with many more restrictions, yes.

Senator TUNNELL. Now you cannot run on less than 5 percent, can you?

Mr. LAWRENCE. You can run if you just keep in the black.

Senator TUNNELL. I know, but are you not going to come to an end of it shortly?

Mr. LAWRENCE. Eventually, probably.

Now, a lot of our folks have been hopeful that they could develop better maintenance, as soon as they would get some of the old men back, and maybe by saving 2 or 3 cents on the dollar, they may be able to get along.

Senator TUNNELL. Are not you going to give us some figures on what you are paying?

Mr. LAWRENCE. We would be glad to give you some figures. I would hesitate to quote them right now, but I can give you a memorandum on it.

Senator TUNNELL. I do not know that this committee can get anything from your testimony as to how the law would affect you unless we know what you pay.

Mr. LAWRENCE. What we tried to demonstrate is the earnings ratio.

Senator TUNNELL. I know you said you paid out practically all you took in.

Mr. LAWRENCE. That is right.

Senator TUNNELL. But you have not told us what the laboring man is getting out of it.

Mr. LAWRENCE. We could give you some typical figures from union contracts in the different sections, like Atlanta, Baltimore, Boston, New York, and the west coast.

Senator TUNNELL. You would naturally pick out the ones that best suited your argument.

I should think you ought to give us some figures showing what the industry paid.

Mr. LAWRENCE. We could give the total wage bill, but as to determining the number of employees in each wage bracket, it would require making a query of everyone of the operators.

Senator TUNNELL A man representing the railroads told us what they were paying.

Mr. LAWRENCE. In other words, the average.

Senator TUNNELL. He told us what they were paying per hour.

Mr. LAWRENCE. You must remember, Senator, there are about 134 railroads of the class I type, and just in our class I there are 1,400, and 25,000 of the class II and class III, that are subject to the Interstate Commerce Commission, and that does not include far many more of an intrastate character of which the Commission here has no control.

Senator TUNNELL. I know quite a few of these companies and I am just wondering, from your testimony, as to how they increased the number of trucks so rapidly.

Do you suppose they are carrying a heavy indebtedness?

Mr. LAWRENCE. That increase has been very little in the last 4 years, Senator.

Senator TUNNELL. Oh, yes; because they could not get trucks, but they have jumped up rapidly.

Mr. LAWRENCE. They have in the years before the war, and the position was generally satisfactory.

Senator TUNNELL. You have had more hauling, haven't you?

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Mr. LAWRENCE. That is true, certainly, but with over-age trucks. We just did not have them.

There are discrepancies in the rate situation. We have for 6 years been petitioning Interstate Commerce Commission to do something about depressed railroad less-carload freight rates, but without avail. In other words, it has been shown by Commission experts' own testimony that $82,000,000 is lost on railroad l. c. l. business even as to the out-of-pocket cost, forgetting any interest on investment or the other full cost charges. That is one of the big factors that is hurting our folks. L. c. l. freight is 4 percent of the railroad revenue, but it is between 75 and 80 percent of our volume of revenue.

Senator TUNNELL. I was wondering if your wage scale has caused the difference. You were making fair profit before the war, weren't you?

Mr. LAWRENCE. That is true.

We have had increases, as I say. I think on drivers it has been 30 percent in this territory right here.

Senator TUNNELL. Then won't you get us the figures of what you are paying?

Mr. LAWRENCE. If I may do it on this basis: I can give you area contracts, because they vary, Senator.

There is this Baltimore-Washington-Richmond range, and there is the Atlanta area, Chicago area—I can give you districts of that type. It would be the union contract in effect.

Senator ELLENDER. What percentage of your employees are unionized?

Mr. LAWRENCE. It would be difficult to say. I would say it would be somewhere between 30 and 50 percent, Senator.

Senator ELLENDER. Are those who are not in the union receiving about the same rate per hour as those who belong to the unions?

Mr. LAWRENCE. That depends on the territory. In the same territory, I would say that was generally true, with the exception, maybe in the South, that is not generally true, because the unionized companies are of a different character than the nonunionized companies.

In other words, the nonunionized companies are the smaller operations that run from smaller towns, and the long lines are the ones that are unionized.

Senator ELLENDER. Do you know what the average minimum rate is in the South?

Mr. LAWRENCE. We could work on it. It is pretty difficult, as I say, when you go into eight or ten thousand concerns, to average.

Senator ELLENDER. But you do know it is much lower than the Northeast or North or West?

Mr. LAWRENCE. I know it is from testimony that came up in 1941 when the minimum wage was raised from 30 to 40 cents. I think about the same differential still prevails. That is true of union contracts as well.

Senator ELLENDER. Do you know why it is that the unions have been unable to obtain an hourly wage that is equal to that provided in the pending bill?

Mr. LAWRENCE. Well, as to this bill, if it was just the take-home pay for the lowest paid employee that would be one thing, but under the administration of this act, all overtime is applied to a man even though he is getting $1.50 an hour, and even though a union contract may have existed on a 48-hour a week basis, there have been cases where suits have been brought, just like the case of the mechanic I was speaking of, where the suit has been sustained in the lower court so far, that he is due for overtime there, which goes above and beyond the statutory limits. It is really the actual pay scale that these overtime provisions are being applied to.

Senator ELLENDER. Well, as I understood your testimony awhile ago, for those who own their own vans and operate them, the labor cost is about 50 percent, and where they are leased, it is about 47 percent.

Mr. LAWRENCE. The total includes some leased trucks, but for the group that own their own, it was 50 cents on the dollar.

Senator ELLENDER. So any raise in cost of operation of 30 percent means 15 percent more labor cost.

Mr. LAWRENCE. That is correct.

It is different from manufacturing where a 15-percent increase would only mean a 4½-percent increase in total cost.

Senator ELLENDER. Yes.

Senator TUNNELL. If, after investigation, you find that you are already paying a schedule equal to what this bill would require, what would be your position?

Mr. LAWRENCE. Senator, if this law had been construed along the lines that we assumed it would be construed from the debate in the House particularly, that it was only to establish a floor under the wages and it would never bother those in the category above the minimum, we would have no complaint, or very little complaint, provided the minimum was kept within reason, but the troubles that have arisen on our part have been with respect to mechanics, drivers, and others who are paid well over the minimum wage that has been in the act, and probably in many cases well over anything here proposed, but for whom the overtime penalties are provided, and that is where the trouble comes.

We have a limited number of what you might call the minimum pay scale people, folks that work around a shop in a very minor capacity, maybe a washer or something in some territory, or maybe a janitor, and there will be a minimum number of those compared to the number of employees in the concern.

But putting the minimum there and maintaining the differentials and raising the pay all up the scale, that is where the trouble comes.

Senator TUNNELL. All right.

See if you cannot give us the figures.

Mr. LAWRENCE. We will be glad to give you some specimen contracts, sir.

Senator ELLENDER. Give us those by sections, will you?

Mr. LAWRENCE. Yes, sir; we will give you 10 to 15 sections of the country.

(Mr. Lawrence submitted the following table:)

Comparative operating ratios—class I motor carriers of property[1]

	United States	Eastern district	Southern region	Western district
1941	94.8	94.9	94.6	94.4
1942	94.1	94.9	94.0	92.5
1943:				
First quarter	94.3	95.9	91.4	92.0
Second quarter	93.7	95.0	94.5	90.9
Third quarter	94.6	95.4	95.9	92.9
Fourth quarter	100.7	101.0	104.3	99.2
Annual	96.0			
1944:				
First quarter	95.6	95.7	96.4	95.3
Second quarter	95.6	95.1	97.3	95.9
Third quarter	96.3	96.3	97.5	96.1
Fourth quarter	[2] 100.9	101.0	101.3	100.6
Annual	[2] 97.0			
1945:				
First quarter	96.5	96.7	96.6	96.1
Second quarter	[2] 95.8	95.3	97.9	96.2

[1] Not final, subject to fractional modification.
[2] (There may be slight variations in computations made from motor carrier reports to the Interstate Commerce Commission, the variations resulting from later corrections in the reports, or from the inclusion of reports filed later and not shown in the earlier computation. Any such variations in these percentages would be inconsequential.)

Senator TUNNELL. Mr. Beardsley.

TESTIMONY OF PETER T. BEARDSLEY, ATTORNEY, AMERICAN TRUCKING ASSOCIATIONS, INC.

Mr. BEARDSLEY. Mr. Chairman and members of the subcommittee, my testimony will, of necessity, overlap just a little bit what Mr. Lawrence has said. I will try to hold it down as much as possible.

My name is Peter T. Beardsley. I am an attorney employed by American Trucking Associations, Inc., the only national association representing the interests of all motor carriers of property, both for hire and private. Our offices are located at 1424 Sixteenth Street NW., Washington, D. C.

I shall confine my discussion of the bill to three of its provisions and the necessity for certain amendments which we believe would restore to the basic law the original historical intent of Congress.

My discussion will concern sections 5, 7, and 8 of S. 1349. If we understand the bill correctly, section 5 would amend the Fair Labor Standards Act to provide that the Administrator of the Wage and Hour Division of the Department of Labor shall establish "job classifications" for skilled employees in every industry subject to the act and shall also establish minimum wage rates for each such job classification. Section 7 of the bill would eliminate many of the exemptions presently contained in section 13 of the act. Our particular interest lies in the proposed amendment of the exemption provisions applying to employees of motor carriers subject to the provisions of part II of the Interstate Commerce Act. Section 8 of the bill would amend section 16 (b) of the act to provide a 5-year period of limitations upon actions brought on claims arising out of the failure to observe the requirements of section 6 or 7 of the act.

The first topic I should like to discuss is the amendment to section 8, giving to the Administrator the authority to define "reasonable job classifications" and to set minimum wage rates for such classifications.

Although the Fair Labor Standards Act is commonly referred to as the wage and hour law, that terminology is in reality a misnomer. The present law does not limit the hours which an employee may be required to work, so long as the employer complies with the requirements for overtime pay. The Supreme Court, in *U. S.* v. *F. W. Darby Lumber Co.* (312 U. S. 100), referring to sections 6 and 7 of the act, said:

> Both provisions are minimum wage requirements compelling the payment of minimum standard wage with a prescribed increased wage for overtime of "not less than one and one-half times the regular rate" at which the worker is employed.

Of course, S. 1349, like the present law, contains no language which would place a ceiling on hours of employment.

The Supreme Court in the Darby case sustained the constitutionality of the Fair Labor Standards Act on the ground that Congress may exercise its power over interstate commerce to prevent—

> spreading and perpetuating * * * substandard labor conditions.

Again I quote from the Court's opinion:

> The motive and purpose of the present regulation is plainly to make effective the congressional conception of public policy that interstate commerce should not be made the instrument of competition in the distribution of goods produced under substandard labor conditions * * *

The quotations from the Court's opinion in the Darby case set forth very clearly the reasoning behind the original congressional enactment providing for payment of specified minimum wages. But the justification for the amendment to section 8 provided by S. 1349, placing in the hands of one man, the Administrator, the power to classify literally millions of skilled employees as belonging in one category or another and to promulgate minimum wage rates applicable to each and every one of them appears nowhere in the bill and entirely escapes us.

Of course, we appreciate the fact that the Administrator would not act until after receiving the recommendations of an "industry committee." But the bill specifically authorizes him to disregard the recommendations of such committee and, if he so desires, appoint another committee in its stead. At any rate, whether this enormous power to classify and establish minimum wage rates for untold numbers of skilled employees may be said to reside in the Administrator or in the individual industry committees, we are unalterably opposed to the provisions of section 5 of the bill which would so radically alter the present provisions of section 8 of the Fair Labor Standards Act. The collective-bargaining process is working out with more than a modicum of success in the motor-carrier industry and there appears to us to be absolutely no justification for experimenting with this vital cog in the labor-relations machine.

Congress based its enactment of the Fair Labor Standards Act on the desire to do away with "substandard" labor conditions. But we have heard no complaint from any segment of labor, organized or otherwise, to the effect that the wage rates paid to skilled labor create "substandard" labor conditions. Nor, to our knowledge, has it been

established that rates paid to skilled labor are not in proper proportion to the rates paid unskilled labor.

We cannot recall a single piece of congressional legislation which was not preceded by a strong demand or a clearly demonstrated need. To our knowledge, there has been no demand made and no need shown for any legislation so socialistic in its concept as the proposed amendment to section 8.

There have been many laws passed by the Congress in recent years guaranteeing the right of employees to bargain collectively. Among these are the Railway Labor Act of 1926, the Norris-La Guardia Act of 1932, the National Industrial Recovery Act, passed in 1933 and declared unconstitutional in the famous *Schecter case* (295 U. S. 495), and of course, the National Labor Relations Act. And yet the freedom to bargain granted in these landmark labor laws appears to be utterly abandoned in section 8 of this bill which gives the Administrator final authority to establish wage rates in what he considers interrelated job classifications. It seems to us that the enormous power which S. 1349 would put into the hands of the Administrator would constitute the first step away from the collective bargaining procedure and toward Government operation of every industrial activity worthy of the name. With a minimum wage established for each and every employee of every industry of any size whatsoever, there would be little possibility that "collective bargaining" would remain anything but "sounding brass and tinkling cymbal." It goes without saying that many thousands of contracts negotiated by labor and management in good faith and as a result of collective bargaining, setting up job classifications and wage rates applicable thereto, will be vitiated in the event that S. 1349 is passed as presently worded.

Senator TUNNELL. Have you heard any criticism of the situation as to collective bargaining since the strikes have been so prevalent?

Mr. BEARDSLEY. I have heard not so much as to collective bargaining but the unwillingness to bargain collectively on the part of many of these people who are perpetrating it.

Senator TUNNELL. What people do you mean?

Mr. BEARDSLEY. The unwillingness to sit down on the part of the strikers and talk the thing over.

Senator TUNNELL. The criticism has been entirely against the strikers, has it?

Mr. BEARDSLEY. No, sir; I do not believe so. I am willing to state, in the Montgomery Ward case, if we go back a year or so, there was pretty much criticism of the management. Certainly, we do not take the position that the picture was all black on one side and all white on the other.

Senator TUNNELL. I understood from your statement that you had the notion that collective bargaining would take care of the situation.

Mr. BEARDSLEY. If it was properly enforced.

Senator TUNNELL. You mean there should be an enforcement of agreements?

Mr. BEARDSLEY. We think that Congress has adopted, Senator, a policy of letting these labor disputes be settled as much as possible by collective bargaining. If that is the policy of Congress, we believe that Congress should see to it that, if necessary, those laws be enforced.

Senator TUNNELL. What do you mean by that? Do you mean that there should be a compulsory agreement? What do you mean by collective bargaining then? How does it function if there is no enforcement of it?

Mr. BEARDSLEY. I mean the two parties to a wage dispute should be required to sit down and arbitrate.

Senator TUNNELL. Well, that is compulsory arbitration.

Mr. BEARDSLEY. But not a cumpulsory agreement, sir.

I think perhaps we are a little technical there.

Senator TUNNELL. What is the difference?

Mr. BEARDSLEY. I do not mean to say they should be forced to come to any preconceived conclusion.

Senator TUNNELL. Well, whether it is preconceived or not, isn't it your argument that they should be forced to abide by some decision?

Mr. BEARDSLEY. Yes, sir.

Senator ELLENDER. They should be forced to comply with such agreements as they enter into; is not that your position?

Mr. BEARDSLEY. Yes.

Senator ELLENDER. In other words, if a labor group agrees to do a certain thing, and the employer agrees to do a certain thing, that both sides ought to be made to conform to whatever agreement they enter into; isn't that what you mean?

Mr. BEARDSLEY. That they entered into in good faith; yes, sir.

Senator TUNNELL. Suppose there has not been any agreement?

As I understand it, in most of the labor troubles there has been no agreement?

Mr. BEARDSLEY. I am speaking now only for our industry. There are a good many agreements in our industry, sir, especially among the larger carriers.

Senator TUNNELL. You have not had any strikes, have you?

Mr. LAWRENCE. May I answer that? They did have a rather serious strike in Chicago awhile ago that was caused, according to the labor view, because of the changes in views, changes in decisions of the War Labor Board. As you know, at that time the Government did take over. We have some troubles pending now, but whether they are going to materialize in strikes I do not know. We do have one in Baltimore, and we had one in Wilkes-Barre recently. Whether they are going to be of long duration or not we do not know. I would say, Senator, we have had a surprisingly small number, compared to what we might have expected.

Senator TUNNELL. I am trying to find out from Mr. Beardsley what his organization feels with reference to the average situation. Suppose there is a disagreement. Now, then, how are you going to get together?

Mr. BEARDSLEY. Perhaps the next thing I am going to say will indicate what I mean.

Senator TUNNELL. That is what I want.

Mr. BEARDSLEY. Another real fear which we have is that once the Government undertakes to specify minimum wages for every employee subject to the Fair Labor Standards Act, it will eventually be found legislatively desirable to establish maximums. There are some who say, even today, that any such attempt would be held unconstitutional. To this we can only point out that many powers previously believed not to exist in Congress have been later held to be within the ambit of Federal legislative propriety.

The next provision of S. 1349 which I should like to discuss is the proposed amendment of the section 13 (b) exemption with regard to employees of motor carriers engaged in interstate commerce.

We believe the present provisions of section 13 (b) represent a gross inequity against motor carriers in favor of the railroads. Any legislation seeking to amend the act should, in all fairness, place motor carriers on an equal footing with their chief competitors, the rails.

By the Transportation Act of 1940, Congress adopted as "the national transportation policy" "fair and impartial regulation of all modes of transportation" subject to the Interstate Commerce Act. As presently written the Fair Labor Standards Act burdens motor carriers with the duty of paying time and one-half for overtime after 40 hours a week and subjects them to the penalty provisions of section 16 (b), providing that in cases of failure to pay overtime, employees shall be entitled to recover such unpaid overtime, plus an additional amount as liquidated damages, plus a "reasonable" attorney's fee. And no amount of good faith on the part of the motor carrier employer will suffice to save him from the exceedingly stiff penalty provisions of section 16 (b) (*Overnight Motor Transportation Co., Inc.* v. *Missel*, 316 U. S. 572).

It goes without saying that the average motor carrier is essentially a small businessman. There are many such operators who cannot pay the claims which have accrued against them under the act and stay solvent.

Paradoxically, the railroad, truly industrial giants having huge amounts of working capital, have no liability whatsoever to pay overtime after 40 hours under the Fair Labor Standards Act. The rails, more than capable of sustaining such a burden, are relieved by Congress of the load; motor carriers, the majority of whom cannot pay the penalties provided by section 16 (b) and continue to operate, are nevertheless shackled by Congress with the liability.

We need not elaborate. We merely present the picture and ask this subcommittee if, in its view, this constitutes "fair and impartial regulation" of motor carriers and their chief competitors, the railroads, as required by Congress in the national transportation policy.

We do not propose to assert a right on the part of any business, large or small, to deliberately violate the provisions of a congressional enactment, such as the Fair Labor Standards Act, and get away with it. But we do desire to point out that the act has been and is being so broadened by judicial interpretation that it is impossible for a businessman to know, with any degree of exactitude, whether or not he is subject to the provisions thereof. Far worse than the stiff penalties imposed is this uncertainty which is inherent in the act.

The act has been in effect since 1938—seven years.

There are many, many instances where it was utterly impossible to determine in advance of court decisions whether or not an employee was covered, but the stiff penalty imposed by the act was invoked despite this uncertainty inherent in it. We do not blame Congress for that, but certainly the courts, in our opinion, have, in many instances, misconstrued the act.

Senator TUNNELL. Do you think it is hard to understand, or are there possibly different determinations?

Mr. BEARDSLEY. If I had not read the court decisions, I would not say it was too hard to understand. When you look at the congressional debate preceding the enactment of the legislation you get the idea that Congress was interested in the low-paid employee who, through economic necessity, was barely able to get along. It seems reasonable to me to suppose that anyone would be shocked if an employee making $5,200 a year would be held subject to the act and entitled to overtime, or that the oil-field workers in the *Warren Bradshaw* v. *Hall Company* case being paid $11 a day would come within the ambit of substandard labor, yet the court has made it so, and it will remain so until the act is changed to provide what we believe is a fair criterion by which to determine whether or not an employee is being paid substandard wages, that is, the aggregate take-home pay for whichever period it is desirable to set. A week is now the period. If you take the aggregate of the take-home pay, you can pretty well determine whether he is being paid substandard wages.

This regular rate theory by which employees, no matter how much they are paid, are nevertheless entitled to overtime, makes an entirely different case. Of course, it is readily apparent. Whereas, Congress, on the one hand, apparently desired to help the low-paid fellow and penalize the man who paid low wages, the act, as construed by the court, does penalize the higher-paying employers to a much greater extent than the man paying the low wages. Anybody who is paid $5,000 has a higher overtime than the man who can barely squeeze by on 40 cents an hour, and who works the same number of hours as the $5,000 employee, and his liquidated damage is based on the 40 cents-an-hour rate. So the Congress, on the one hand has passed an act ostensibly to aid the low-paid employee, but the act, as construed by the courts, penalizes the man who pays the high wages to a much greater extent than the man who pays the lower wages.

I do not think I need say anything more about that. Certainly, we thought the act was clear. We thought, after reading the congressional debates, it was fairly certain.

Senator ELLENDER. What Congress is doing with this act, if it passes it, is that it agrees with the courts.

Mr. BEARDSLEY. That is right. We would prefer the act be amended so the courts and businessmen as well would know what it meant.

Senator ELLENDER. Yes.

Mr. BEARDSLEY. I want to talk a little bit about the conflict of jurisdiction that has arisen under the present exemption which we have, small as that is.

As presently written, the provisions of section 13 (b) exempt from the overtime provisions of section 7 any employee over whom the Commission has power to establish qualifications and maximum hours of service under section 204 of the Motor Carrier Act, 1935, now part II of the Interstate Commerce Act. The Commission, on May 9, 1939, in *Jurisdiction Over Employees of Motor Carriers* (13 M. C. C. 481), held that drivers employed by motor carriers subject to the Interstate Commerce Act were subject to its jurisdiction. Not until March 4, 1941, in *Ex Parte No. MC–2—In the Matter of Maximum Hours of Service of Motor Carrier Employees* (28 M. C. C. 125) did the Commission remove all doubt as to just exactly which employees of interstate motor carriers were subject to its jurisdiction. These it held to be—in addition to drivers—mechanics, loaders, and drivers' helpers. Prior to the Commisison's decision cited, it had been vigorously contended that the Commission's jurisdiction ex-

tended to all employees of for-hire carriers in interstate commerce by motor vehicle. Indeed, in *American Trucking Associations, Inc., et al* v. *U. S. et al* (31 F. Supp. 35), this contention was upheld by a three-judge statutory court sitting in the District of Columbia. However, that court's opinion was reversed, 5 to 4, by the Supreme Court in *U. S.* v. *American Trucking Associations, Inc.* (310 U. S. 534), which held that the Commission's jurisdiction was limited to employees whose activities affect the safety of operation of motor vehicles in interstate or foreign commerce.

Despite the good faith litigation and the utter impossibility of determining, in advance of the Commission's decision in *Ex parte No. MC–2*, above cited, just which employees were entitled to overtime after the statutory workweek and which were subject to the Commission's jurisdiction, and therefore exempt from the overtime provisions of section 7, the Supreme Court, as previously stated, held in the Missel case that motor carriers must pay the past due overtime, plus liquidated damages, plus attorney's fees all the way back to the effective date of the Fair Labor Standards Act in 1938. To put it mildly, this constituted a stunning blow to the entire interstate motor carrier industry.

Prior to the Supreme Court's decision in the Missel case it had been generally assumed that if the aggregate of wages paid in any workweek equaled the minimum wage for the statutory hours plus time and one-half such minimum for all overtime, the act had been complied with. As you recall, the Fair Labor Standards Acts is the work of conferees, necessitated by the inability to reconcile the radically different provisions of the bills passed by the Senate and House of Representatives. Witness the words of Mrs. Norton, chairman of the House Labor Committee, one of the conferees, and sponsor of the bill passed by the House, regarding the legislative purpose of that body:

> Let it be understood right here that this does not in any sense compel any person who is paying more than 40 cents an hour or working his employees less than 40 hours a week to do otherwise. We are not interested in that employer for the purposes of this bill. I say this because this question has been continually raised (83 Congressional Record 7280).

In view of Mrs. Norton's clear and unequivocal statement to the effect that the bill was not intended to reach employers paying over 40 cents per hour, motor carriers whose wages were higher than the statutory minimum had unwittingly believed that this was a case of Congress meaning what one of its spokesmen had said on the legislation handled by her committee. Needless to say, the Supreme Court's holding in the Missel case that the act did reach empoyers who paid wages higher than the minimum provided in the act came as a great surprise and brought with it a staggering cost to many businessmen who had theretofore supposed themselves in compliance with the act.

Without laboring the point, we think it will be clear to anyone studying the legislative history of the Fair Labor Standards Act that it was clearly Congress' intention to protect low-paid employees by erecting a wage floor below which their wages could not go; not to provide a windfall for a multitude of well-paid employees at the expense of conscientious but thoroughly confused American businessmen. We believe in all sincerity that the Supreme Court's construction of the act in the Missel case is an instance of the usurpation of legislative power by a judicial body.

Congress should exercise its prerogative and amend the act so that its original intention to provide a floor for wage payments only will be readily apparent to the courts and businessmen alike.

I should next like to discuss the conflict between the Interstate Commerce Commission and the Administrator regarding jurisdiction over employees of motor carriers, and to give an illustration or two of court decisions holding an employer liable for back overtime, liquidated damages, and attorney's fee in a situation wherein his good faith simply cannot be questioned.

As previously stated, the Commission has determined that its jurisdiction over employees of interstate motor carriers extends to drivers, helpers, loaders, and mechanics. In its decision in *Ex parte No. MC–2*, the Commission concluded, as a matter of law, that its jurisdiction extended only to those employees who devote a "substantial" part of their time to activities which directly affect the safety of operation of motor vehicles in the transportation of passengers or property in interstate or foreign commerce. The Commission further found as a fact that the employees in the classes held subject to its jurisdiction devote a "large" part of their time to such activities. Congress has specifically provided for judicial review of Commission decisions by a three-judge court under the Urgent Deficiencies Act. It is a well-known rule of law that the decisions of an administrative body are subject only to a direct, rather than collateral, attack. The Administrator, had he so desired, could have intervened before the Commission, argued his case, and if the Commission's decision was adverse, could have directly attacked it by appealing to the three-judge court for proper review. This he did not choose to do. However, by so-called interpretations which neither the Fair Labor Standards Act nor the Interstate Commerce Act give him the power to make, and which he himself admits are not binding, he has helped to further muddle a situation which, without added mischief, was thoroughly confused already. His "interpretations" are constantly being revised. For instance, Interpretative Bulletin No. 9, first issued by the Administrator in March 1939, has already been revised five times.

In the first issue of his bulletin No. 9, the Administrator "interpreted" section 204 (a) (3) of the Motor Carrier Act, 1935, to mean that the Commission did not have the power to establish qualifications and maximum hours of service for employees of private motor carriers until it found a need for such regulation and that, until such finding of need, all employees of private carriers operating in interstate commerce were subject to his jurisdiction and entitled to overtime pay after the statutory workweek. The Supreme Court, in *Southland Gasoline Co.* v. *Bayley* (319 U. S. 44), unanimously disagreed with the Administrator, saying that such power had been inherent in the Commission since the passage of the Motor Carrier Act, 1935. We do not know how much money the motor-carrier industry paid out on the strength of the Administrator's "interpretation," or how much time and money were spent in defending suits based thereon, but we are certain that the confusion and expense resulting from the "interpretation" was immense in the aggregate.

Of course, the all-too-often forgotten taxpayer paid the bill for the Administrator's trip into legal territory not granted him by the Congress.

Despite the Commission's finding of fact to the effect that the four classes of exempt employees subject to its jurisdiction devote a large part of their time to activities directly affecting safety of operation, the Administrator has felt compelled to interpret the word "substantial" as set forth in the Commission's conclusions of law heretofore referred to. It is interesting and informative to note that the Administrator, in the third revision of his Interpretative Bulletin No. 9, issued April 1941, asserted that employees theretofore held by the Commission to be subject to its jurisdiction could only be considered exempt where they devoted at least 80 percent of their time in any one workweek to the very duties leading to assertion of jurisdiction by the Commission. In other words, according to the Administrator's interpretation, a driver employed by a carrier subject to the Interstate Commerce Act who spent 75 percent of his time driving and 25 percent of his time washing and greasing his truck in any one workweek would be subject to the Administrator's jurisdiction and entitled to overtime after the number of hours provided as the statutory straight-time workweek.

The present issue of Interpretative Bulletin No. 9, which is the fifth revision, issued October 1943, holds that employees of motor carriers whom the Commission has asserted are subject to its jurisdiction are nevertheless not exempt from the overtime provisions of the Fair Labor Standards Act unless the greater part of their workweek is spent at the specific duties which the Commission found as necessitating the exercise of its jurisdiction.

And I say, Senator, as you pointed out, Congress, I believe, in this bill proposes to adopt the Administrator's interpretation, which even the Administrator admits has no effect.

Senator ELLENDER. I myself think that the bill was drafted with that in mind.

Mr. BEARDSLEY. I think that is a very logical conclusion.

But the 51 percent interpretation seems destined for the wastebasket, and Interpretative Bulletin No. 9 would appear to be about to go under the knife for its sixth revision. The Second Circuit Court of Appeals has recently held that employees of interstate motor carriers who devote at least 1 day a week to activities affecting safety of operation are subject to the Commission's, not the Administrator's, jurisdiction (*Walling* v. *Comet Carriers, Inc.*, decided August 17, 1945, 8 Wage and Hour Reporter 883).

This somewhat extended résumé of the history of the Administrator's Interpretative Bulletin No. 9 is not intended primarily to show how often the Administrator has been wrong but rather to indicate to the subcommittee the needless confusion which has existed over a period of several years in the minds of thousands of businessmen as to whether or not their employees are subject to the act. There can be no doubt but what these interpretations have borne some fruit, even though it be tainted. For instance, a district court in Tennessee has adopted the Administrator's contention in *Walling* v. *Gordons Transports, Inc.*, (decided August 6, 1945, 8 Wage and Hour Reporter 838). That is the contention to the effect that even though an employee has been declared exempt by the Commission he did not devote

51 percent of his time in any one workweek to exempt activities and therefore he was entitled to overtime.

And in *Keeling* v. *Huber & Huber Motor Express, Inc.*, decided by the District Court of the United States for the Western District of Kentucky on January 30, 1945, an unreported case, the court held that certain employees of an interstate motor carrier, admittedly mechanics and engaged in work of a mechanical nature during the entire period covered by the suit, were nevertheless not subject to the Commission's jurisdiction by virtue of the fact that they worked on parts which were later installed in the over-the-road vehicles operated by the carrier rather than directly upon the vehicles themselves.

We have every confidence that these decisions, which we believe are clearly erroneous, will, if appealed, be overruled. But they are expensive and time consuming to the carriers involve and make further expenditures of time and money necessary in order to obtain finally a Supreme Court opinion which we hope will eliminate such harassment of motor carriers in the future.

As previously pointed out, the railroads are required to comply only with the minimum-wage provisions of the act and are not confronted with the confusion in which the motor carriers find themselves by virtue of the Administrator's efforts to detract from the Commission's jurisdiction over employees of interstate motor carriers. Congress, having declared its policy to be "fair and impartial regulation" of all forms of transportation, should take steps to correct this very apparent inequity. The amendment proposed by S. 1349 would only aggravate it.

I should like to deal briefly with the plight of the motor carrier whose operations are confined within a single State and who is not subject to the provisions of the Interstate Commerce Act. These carriers have operations which are, in most instances, competitive with railroads, which, as before pointed out, are not required by the Fair Labor Standards Act, to pay overtime to their employees. It should be remembered that the vast majority of for-hire carriers are the common carriers, who are required by law to accept goods which are tendered them for carriage. They cannot determine for themselves whether or not the transportation of certain goods will render them subject to the provisions of the Fair Labor Standards Act and accept or refuse them accordingly.

As previously stated, the act is being continuously broadened by judicial interpretation. Intrastate motor carriers, who had supposed themselves exempt by virtue of the definition of "commerce" contained in section 3 (b) of the act—which is relatively close to that same definition in the Interstate Commerce Act—are finding themselves caught up on the hook of "production of goods for commerce" by virtue of the use of the word "transporting" in the definition of "produced" under section 3 (j).

It was at first felt by the industry that the use of the word "transporting" was intended to cover employees of manufacturers engaged in the actual production of goods for commerce, whose duties might require them to carry such goods at one or another stage of production in or about their place of manufacture. We did not believe then, and do not believe now, that it was Congress' intention to shackle the small, intrastate carrier with the burden of compliance with the act simply because he might be called on at one time or another to

transport, between two points in the same State, the products of a manufacturer who is truly engaged in the production of goods which are intended to move in commerce.

Some of the courts have construed the term "produced" in section 3 (j) of the act so broadly as to leave little scope for any activity which would not be subject to the act. In the recent case of *Walling* v. *Griffin Cartage Co.*, decided September 5, 1945, by the United States District Court for the Eastern District of Michigan, 8 Wage and Hour Reporter 923, an intrastate carrier, 95 percent of whose business is the transportation of castings, forgings, and machine parts for and between two or three Detroit plants, was held subject to the provisions of the act. The court, saying that—

> it is seemingly a stretch of the imagination to even consider that carting goods from one place to another in Wayne County can be "producing."

nevertheless went on to hold that such transportation did constitute production within the meaning of the act and that the employer was in violation.

The case just referred to was instituted by the Administrator. It may naturally be expected that the employees of the company concerned will next avail themselves of the opportunity to pocket a few hundreds or possibly thousands of dollars in back overtime pay and liquidated damages which they had never expected would be theirs for the asking.

Section 202 (b) of part II of the Interstate Commerce Act, relating to motor carriers, provides:

> Nothing in this part shall be construed to affect the powers of taxation of the several States or to authorize a motor carrier to do an intratstate business on the highways of any State, or to interfere with the exclusive exercise by each State of the power of regulation of intrastate commerce by motor carriers on the highways thereof.

Section 216 (e) of the same statute denies the Commission the power to prescribe or in any manner regulate rates, fares, or charges for intrastate transportation, or for any service connected therewith, for any reason whatsoever.

These provisions of the Interstate Commerce Act referred to seem clear evidence of Congress' intention to recognize the real distinction between interstate commerce and the transportation of property wholly within a State. But the construction placed upon the term "produced" by the court in the Griffin case completely obliterates any such distinction. We can find no evidence from the congressional debates preceding the enactment of the Fair Labor Standards Act of any congressional intent to make such a radical departure from its previous conception of what constituted national, as disinguished from parochial activities. Here again, we believe the courts have construed the congressional enactment more broadly than Congress itself intended it to apply.

In that connection, I just picked out a statement a little while ago, which is not in my prepared statement, which I would like to read to you. This is the statement of former Congressman Schneider of Wisconsin, then a member of the House Labor Committee, and he made the statement at the time the conference reported the compromise bill. Congressman Schneider said:

> It must be repeated, however, to avoid any misunderstanding of the bill, that it does not in any way, shape, or form affect intrastate or purely local or State business.

That citation is 83 Congressional Record 9260.

There, again, I think it is clear, if you construe the court decisions and what Congressman Schneider said, one or the other of them are a little out of line.

Representative Eugene J. Keogh, Chairman of the House Committee on Revision of the Laws, has said:

> Making laws understandable is as important as making the laws.

After 7 years' operation of the Fair Labor Standards Act, we can really appreciate his statement. For the truth of the matter is that we are still in grave doubt as to whether or not the act applies in a number of instances and coupled with this is the ever-present knowledge that if we have been guilty of misunderstanding language, which by no stretch of the imagination can be said to be crystal clear, we are faced with a terrific backlog of claims for overtime and liquidated damages which no amount of good faith can excuse.

Congress should recognize the inherent inequity of the intrastate carrier being subject, on the one hand, to the rules and regulations as to rates and charges, hours of service, and so forth, of State utility commissions, and at the same time requiring his compliance with the complicated provisions of this Federal act ostensibly intended to reach activities in interstate commerce only. The act should be amended to preserve the well-known and long recognized distinction between interstate and local activities of motor carriers.

The final provision of S. 1349 which I should like to discuss is the proposed amendment of section 16 (b) to provide a 5-year period of limitations upon actions for unpaid minimum wages or overtime compensation, plus an additional amount as liquidated damages.

Here I find myself for the moment in agreement with Mr. Donner. With the spirit of the amendment we are in complete accord. The absence of a limitations period for the institution of such suits has been a source of confusion and controversy since the act first became effective. But the 5-year period provided in S. 1349 would work an undue hardship on employers who in good faith attempt to comply with the act, but run afoul of some technicality in the law or a "revised" interpretation of the Administrator.

We not only believe that the act should include a limitations provision, though much shorter than that proposed in S. 1349, but that claimants who have acquired rights of action prior to the effective date of any amendatory legislation should be required to enforce their rights within a reasonable period of time thereafter.

The desirability of statutes of limitation has been recently pointed out by the Supreme Court:

> The statutes of limitations, like the equitable doctrine of laches, in their conclusive effects are designed to promote justice by preventing surprises, through the revival of claims that have been allowed to slumber until evidence has been lost, memories have faded, and witnesses have disappeared (*Order of Railroad Telegraphers* v. *Railway Express Agency*, 321 U. S. 342).

Where evidence has been lost or memories have faded, the employee is as much apt to suffer as the employer. So it seems apparent that a

limitations period of 5 years might very well result in hardship for all concerned, employer and employee alike.

We believe a 1-year period of limitation will do substantial justice and will go a long way toward alleviating, at least somewhat, the inequities which are presently inherent in the Fair Labor Standards Act.

The point will probably be raised—and I believe it was—that the statutes of limitation applying to actions under the act are somewhat longer than the 1 year which we suggest. In such a case, I should like to call the attention of the subcommittee to the fact that most of these State laws were in effect long prior to the passage of the Federal legislation. They simply had to be adapted to the legislation because of the omission by Congress of any period of limitations in the act. The States which have passed limitations periods specifically applying to the act have passed them generally for much shorter periods than Mr. Donner mentioned. I agree with him. He say the States are trying to undercut the Federal legislation. I think the States recognize the inequity of the act because of the confusion therein and the complete chaos that is there evident, because it is evident that the employees cannot tell from day to day what they are subject to.

The States, recognizing the justice of a short period of limitation, have enacted such laws. As Mr. Donner has pointed out, two other States, Oregon and Iowa—I do not question their faith, I think they are in good faith—enacted 6-months statutes, which were held unconstitutional by the Federal district courts. To my knowledge, those cases have not gone up. I wish they had.

As a matter of fact, two State legislatures, those of Iowa and Oregon, recognizing the absolute need for a short limitations period to prevent injustices, enacted laws outlawing actions brought to enforce claims for overtime and liquidated damages under the Fair Labor Standards Act. In both cases Federal district courts declared the statutes unconstitutional. The Iowa case is *C. E. Elliott* v. *John Morrell & Co.*, and was an oral opinion. The Oregon case is *Kurth* v. *E. H. Clarke Lumber Co.* (8 Wage and Hour Reporter 69). Iowa has since passed another law, which limits such actions to 2 years. Frankly, it is difficult for us to see how a Federal court can draw an arbitrary line, marking off what is valid from what is invalid in the way of State action to provide limitations of action upon Federal legislation, especially when the Federal law impliedly invited just such State action. We cannot help but wonder what the Federal courts' opinions would have been had the limitations period been 1 year, as it is in Louisiana, Colorado, Florida, Alabama, North Dakota, and South Carolina.

A bill to repeal the Oregon 6-month limitation statute was introduced in the Oregon Legislature in the 1945 session and died there. Whether or not the Oregon State courts will follow the Federal courts' interpretation cannot, of course, be foreseen. If they do not, another impasse such as that existing in the State of Washington will be created. In the latter State a Federal district court has held that the limitations period applicable to actions under the Fair Labor Standards Act is 3 years (*Cunningham* v. *Weyerhauser Timber Co.*, 52 F. Supp. 654, decided November 8, 1943). On the other hand, in *Cannon* v. *Miller* (8 Wage and Hour Reporter 217) the Supreme Court of the State of Washington, in a decision rendered January 26, 1945, has held

the limitations period to be 2 years. We cannot be sure which of the two courts is correct, but the situation points up graphically the necessity of Federal legislation to provide a time limit for the bringing of actions under the Fair Labor Standards Act.

We think a little bit of simple arithmetic will clearly illustrate the necessity for a reasonably short limitations period in order to protect employers who try in good faith to obey the statute. It should be remembered, in the first instance, that many small employers, faced with the judgment of a trial court, have, because of economic limitations, little choice but to attempt to make the best of it, rather than appeal.

If I may divert here, I would like to call the subcommittee's attention to the fact that Mr. Donner pointed out that the average employee has no opportunity to know what the provisions of the law are, that he is in the dark and he is not protected. So far as our industry is concerned, we believe the small employer has much less protection than the employee. The unions and the Wage and Hour people, so far as our industry is concerned, see to it pretty clearly that the employee knows what his obligations are. On the other hand, I am forced to admit we constantly find little fellows who have one or two trucks and who are just squeezing by, who do not know whether they are covered by the act, especially when their operations are confined to one State and they did not think they were covered by the Interstate Commerce Act.

I would like to refer back to the case of *Keeling* v. *Huber & Huber Motor Express*. There, as I have pointed out, the employer, an interstate motor carrier, relying on the jurisdiction over mechanics asserted by the Interstate Commerce Commission, and having in good faith and through the collective bargaining process entered into a contract which did not require the payment of time and one-half after 40 hours, was held to be in violation of the act and liable to the employees in question for back overtime, plus an additional amount of money as liquidated damages, plus attorneys' fees. If that decision stands, practically every interstate motor carrier of any size, will have been in violation, to some extent, of the Fair Labor Standards Act, since its effective date. And their good faith and collective bargaining will not help them escape the resultant liability.

According to our information, the majority of union contracts between interstate motor carriers and their employees provide for overtime wages only after a workweek of 48 to 51 hours, with a large number of contracts using 54 hours as the breakline. We do not have the figures showing wage payments in the Louisville area where Huber & Huber is domiciled, but we are told that journeymen mechanics are paid 95 cents per hour in the Atlanta area. Using this figure, and taking a workweek of 48 hours, we find that the contract calls for a payment of $45.60 for the period agreed upon. But under the court's decision holding these mechanics subject to the Fair Labor Standards Act, the employer is required to pay the regular rate of 95 cents for the first 40 hours, plus overtime at $1.425 per hour for the 8 additional hours. Thus we find that the employer should have paid $38 straight time plus $11.40 overtime, or a total of $49.40 for the 48-hour week. This makes him liable to each and every one of his employees in the category of which we are speaking in the amount of $3.80 per week

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for back overtime, plus $3.80 per week for liquidated damages, or a total of $7.60 per week plus an attorney's fee which cannot, of course, be predetermined. $7.60 is not much money, but when it is realized that runs back for 52 weeks in the year, and in some instances a period of 6 years in these States where legislatures have not passed statutes of limitations specifically applying to the act, and where, as in the Keeling case, not one but five employees were suing, we can see it amounts to real money.

For workweeks longer than 48 hours or where the wage rate is higher than that cited, the liability of the employer would be increased. Thus it can be readily seen that employers exercising the utmost good faith can be mulcted of substantial sums of money under even as short a limitation period as 1 year.

Finally, we come to the changes which we respectfully suggest should be made in S. 1349, and the amendments which should be made to the Fair Labor Standards Act in order to carry out Congress' original intent.

Senator TUNNELL. Why do you speak of being mulcted, if that is only to pay what the law requires?

Mr. BEARDSLEY. You mean my use of the term?

Senator TUNNELL. Yes.

Mr. BEARDSLEY. Because I feel it is highly inequitable, where an employer in good faith, relying on the determination made by the Interstate Commerce Commission, which it is clearly authorized to make under the Fair Labor Standards Act, complying with that interpretation to the letter and therefore not paying overtime after 40 hours, and who, in addition, has a union contract entered into in good faith which calls for the payment of overtime not after 40 hours but after 48 hours, then when he loses the court decision I feel that is not an equitable state of affairs.

Senator TUNNELL. You feel he has been mulcted by the court?

Mr. BEARDSLEY. I feel the result is that money has come out of his pocket which could not, under any equitable set of conditions, have been taken from him. For this motor carrier in this particular instance, I feel we are entitled to use that word.

Senator ELLENDER. You stated a moment ago that a certain portion of the act was revised five times.

Mr. BEARDSLEY. No, sir; that was the Administrator's interpretative bulletin by which he indicates what his course will be.

Senator ELLENDER. Suppose an employer complied with regulation 3, let us say, of the Administrator's interpretative bulletin, and then the fifth interpretation changed the third regulation, giving the employee an opportunity of obtaining relief, are we to understand you have cases in which that has occurred?

Mr. BEARDSLEY. I do not recall any offhand. If you could give me a specific instance, I might refer to that.

But I would like to point out, first of all, although these interpretative bulletins flood the country, the Administrator is very careful to say they are not binding.

Senator ELLENDER. That is the point I am driving at. I can be a little more specific as to a case in my own bailiwick. The Administrator who preceded Mr. Walling interpreted the act in a certain way and that interpretation was held effective, oh, for about 5 years, and about

3 or 4 months ago Mr. Walling reversed that interpretation. He says the former Administrator was wrong in his interpretation.

Mr. BEARDSLEY. As I recall it, along those lines, Mr. Andrews, who I believe was the original Administrator, made a statement at one time to the effect if the aggregate take-home pay satisfied the minimum, plus time and a half at such minimum, that that constituted compliance with the act.

Of course, when the Supreme Court does not agree with the Administrator, it does not avail the employer in that he has complied to the utmost with the regulation; he is, nevertheless, held liable, and he pays the monetary damages. That came out very clearly in the Missel case. It was pointed out there it was impossible to determine the employees over whom the Commission would assert jurisdiction until it had come to a decision, and yet the Court held that the act applied nevertheless, and it was not the employee's fault that the Commission took so long, and so forth.

Senator ELLENDER. Of course, it is your view that if an employer complies with an interpretation put on the act by the Administrator he should certainly be relieved from any fault.

Mr. BEARDSLEY. Well, I say that generally. However, I say it is our view here in this instance that the Administrator clearly has no authority to even issue a bulletin, so far as motor-carrier coverage is concerned.

Senator ELLENDER. And you think if an employer acts on the interpretation in good faith, that should end it.

Mr. BEARDSLEY. Yes, sir; generally speaking. Of course, I still feel that the Commission should have the authority to issue a bulletin.

Senator ELLENDER. I am speaking of interpretations under the Fair Labor Standards Act.

Mr. BEARDSLEY. Yes, sir; which he is authorized to make.

Senator ELLENDER. Yes.

Senator TUNNELL. You think there should be a provision in the law that the Supreme Court should have no jurisdiction?

Mr. BEARDSLEY. No, sir. Do you mean that specifically, sir?

Senator TUNNELL. Well, as I understand it, you do not think that a court should have a right to in any way review the decisions.

Mr. BEARDSLEY. No, sir; I do not mean to imply that at all. I mean the Court should have every right to review the decisions, but when the Court comes to a decision which is opposite to that of the Administrator, that employers who in the meanwhile, in the intervening period, had relied on the interpretations of the Administrator should not be penalized for their reliance on this administrative agency of the Government.

Senator TUNNELL. Well, would not that be equivalent to saying that the Supreme Court should not have any authority to upset a decision?

Mr. BEARDSLEY. No, sir; it would not. It would be equivalent to saying that the Supreme Court should have every authority; but once the Supreme Court had upset the decision, the Administrator would be required to issue a new regulation complying with the Supreme Court's interpretation; but if the employer in good faith had relied on the Administrator's interpretation which was subsequently held invalid, he should not be penalized by such a reliance until the Court passed on it.

Senator TUNNELL. In other words, that the prior decision should stand regardless of the law.

Mr. BEARDSLEY. Not as to the future but as to the past. If Congress establishes an agency such as the Wage and Hour Division, appoints an Administrator, and gives him authority to make regulations, should employers who complied with the regulations be penalized?

Senator TUNNELL. No, sir; but they should be held to the law.

Mr. BEARDSLEY. They should be held to the law; yes, sir.

Senator TUNNELL. But you say now as to anything that has passed they should not be held to the law.

Mr. BEARDSLEY. I beg to differ with you. I mean where they rely on the interpretation issued by the Administrator who is specifically empowered by the Congress to make such interpretations, and he does so, that the employer who relies upon such interpretations should not be penalized as he is in section 16 (b), when the Supreme Court comes along and disagrees with the Administrator.

Senator ELLENDER. In other words, when the Administrator makes a ruling, that ought to be law until the Supreme Court says it is not the law?

Mr. BEARDSLEY. If he makes a regulation and the employers do not comply with it, they are brought into the court either under the civil or criminal law.

Senator TUNNELL. And even after he is brought into court, the Supreme Court would have no jurisdiction to set aside the decision that had been made so far as anything that has passed is concerned?

Mr. BEARDSLEY. The Supreme Court might disagree that it complies with any regulation that the Administrator made. I say that employers who up until the time of that disagreement had complied strictly with the letter of the Administrator's regulation should not be penalized by their compliance of the law. They are forced to comply with it, and they are subject to the criminal provisions of the law if they do not comply with it.

Senator TUNNELL. I think I understand you. Have you something further?

Mr. BEARDSLEY. I just want to run over the intendment of the changes we suggest in the bill and which should be also made in the act.

Senator ELLENDER. You mean the law itself?

Mr. BEARDSLEY. First of all, the changes which we believe should be made in the bill S. 1349, and finally the changes which we think should be made in the act. As to the changes suggested in S. 1349:

First. On page 2, line 13, eliminate "(1)" and change the semicolon in line 16 to a period, eliminating the rest of line 16 and lines 17 and 18, leaving section 2 of the act as presently written.

That would eliminate the proposed amendment to section 2 of the act, leaving the declaration of policy as presently written.

Second. On page 3 eliminate lines 3 through 8. The definitions of "job classification" and "unskilled job classification" would be eliminated from section 2 of the bill under this suggested change.

Third. Strike the proposed amendment to section 6 of the act, pages 3 and 4, leaving the section as presently written.

This change which we suggest in the bill would leave the present minimum wage provisions of the act undisturbed.

Fourth. Substitute for the present phraseology, lines 5 to 12, page 4, the following:

SEC. 7. (a) No employer shall, except as otherwise provided in this section, employ any of his employees who is engaged in commerce or in the production of goods for commerce for a workweek longer than forty hours unless such employee receive compensation aggregating not less than the minimum provided in section 6 for the first forty hours plus one and one-half times such minimum for all hours thereafter, in any such workweek.

This suggested change would amend the act to provide that payment of a weekly sum aggregating at least 40 hours straight-time pay at the minimum, plus one and one-half such minimum for all overtime, would constitute compliance with section 7 of the act.

Senator ELLENDER. Would that amendment also take care of the situation which you discussed awhile ago, wherein the courts have taken jurisdiction of cases not covered by the act—that is, not intended to be covered by the act?

Mr. BEARDSLEY. You are referring to the intrastate carrier who operates solely within the State and who is not subject to the Interstate Commerce Act?

Senator ELLENDER. I agree with you fully as to what you stated awhile ago, as to the intent of Congress. I happen to be one who was in the conference which you mentioned, when the bill was enacted in 1938. It was certainly my interpretation of the act that it would apply only for the protection of the sweatshop employees.

Mr. BEARDSLEY. Our fourth suggested change would amend the act to make the aggregate of the take-home pay the criterion rather than the artificial determination.

Senator ELLENDER. A moment ago you mentioned a case where it affected a man getting $11 a day.

Mr. BEARDSLEY. Yes, sir. The aggregate would cover him. That was the Warren Bradshaw case, as you recall, Senator.

Senator ELLENDER. Yes. Your idea would be to exclude him, let him take care of himself by collective bargaining or any other method?

Mr. BEARDSLEY. At $11 a day, I would say he was pretty well taken care of.

Senator ELLENDER. I agree with you.

Mr. BEARDSLEY. Five. Strike the proposed amendment to section 8, page 5, line 15, to page 10, line 3, leaving the section as presently written. That suggested change would delete from the bill the provisions amending section 8 of the act providing for the establishment of "interrelated job classifications" and minimum wage rates applicable thereto.

Six. Substitute for the proposed amendment to section 13 (b), page 12, lines 9 to 16, of the bill, the following:

(b) The provisions of section 7 shall not apply with respect to (1) any employee of a common or contract carrier subject to any of the provisions of part II of the Interstate Commerce Act; (2) any employee of a private carrier subject to part II of the Interstate Commerce Act with respect to whom the Interstate Commerce Commission has power to establish qualifications and maximum hours of service pursuant to the provisions of section 204 of such Act; or (3) any employee of an employer subject to the provisions of part I of the Interstate Commerce Act.

This suggested change would place interstate for-hire carriers on an equal competitive footing with the railroads by exempting all their employees from the provisions of section 7 of the act. No change

would be made so far as employees of private carriers are concerned. That is for the reason Mr. Lawrence suggested, that private carriers are simply an adjunct of another business. In other words, a big manufacturer who might be engaged in the production of steel might transport some of his steel in his own trucks; and he would be, to that extent, a private carrier.

Seven. Change the words "5 years," in line 11, page 13, to read "1 year."

This change would make the limitations period provided in section 8 of the bill 1 year instead of 5 years.

Eight. Change the period after the word "situated," in line 17, to a comma and insert the following:

Provided, however, That actions upon claims accrued prior to the effective date of this section, as amended, which have not otherwise expired, may be instituted within ninety days thereof and not after.

That suggested change would require parties having claims which arose prior to the enactment of this bill to prosecute such claims within a period of 90 days after the bill becomes law.

There are three amendments in addition to the amendments to S. 1349 which we suggest should be made to the Fair Labor Standards Act.

One. Subsection (b) of section 3 should be amended to read as follows:

(b) "Commerce" means trade, commerce, transportation, transmission, or communication among the several States or from any State to any place outside thereof, except that no common, contract, or private carrier by motor vehicle shall be held to be engaged in commerce within the meaning of this Act unless such carrier shall be engaged in "interstate commerce" as that term is defined in section 203 (a) (10) of the Interstate Commerce Act, part II.

The definition of "commerce," in section 3 (b), so far as intrastate motor carriers are concerned, should be amended so that carriers who are not engaged in commerce within the meaning of the Interstate Commerce Act may not be held to be so engaged under the Fair Labor Standards Act.

2. Subsection (j) of section 3 should be amended to read as follows:

(j) "Produced" means produced, manufactured, mined, handled, or in any other manner worked on in any State; and for the purposes of this Act an employee shall be deemed to have been engaged in the production of goods if such employee was employed in producing, mining, handling, transporting, or in any other manner working on such goods, or in any process or occupation necessary to the production thereof, in any State: *Provided*, That common and contract carriers by motor vehicle shall not be deemed to be engaged in the production of goods because of transportation services rendered, nor shall employees of such carriers be deemed engaged in such production, or in any process or occupation necessary thereto by virtue of their employment.

The definition of "produced" in section 3 (j) should be amended to provide that intrastate common and contract carriage of property shall not constitute production of goods for "commerce" within the meaning of the act.

Three. Subsection (a) (1) of section 15 should be amended to read as follows:

(a) After the expiration of one hundred and twenty days from the date of enactment of this Act, it shall be unlawful for any person—

"(1) to transport, offer for transportation, ship, deliver, or sell in commerce, or to ship, deliver, or sell with knowledge that shipment or delivery or sale thereof in commerce is intended, any goods in the production of which any employee was employed in violation of section 6 or section 7, or in violation of any regulation or order of the Administrator issued under section 14; except that no provision of this Act shall impose any liability upon any common or contract carrier for the transportation in commerce in the regular course of such carrier's business of any goods produced by any other person in violation of the provisions of this Act.

Section 15 (a) (1) should be amended to conform with the proposed amendment of section 3 (j), and to clarify and broaden the present exemption pertaining to the innocent carriage of "hot goods" by common carriers.

That is all I have to say.

Senator TUNNELL. Do you have any questions, Senator?

Senator ELLENDER. No.

Senator TUNNELL. Thank you very much.

TESTIMONY OF PROF. RICHARD A. LESTER, PROFESSOR OF ECONOMICS, DUKE UNIVERSITY

Mr. LESTER. I am Prof. Richard A. Lester.

For the last 5 years I have been professor of economics in Duke University in Durham, N. C.

I am now becoming associated with Princeton University as associate professor of economics.

During the last 6 months, approximately, I have been chairman of the Southern Textile Commission under the National War Labor Board, which was set up to take care of differentials in wages above the minimum under the National War Labor Board's order of February 20, in which there were five peg points established, and the parties were to negotiate for intervening jobs between those peg points, and any negotiations were subject to approval or decision of the Commission.

In addition to that, during the last year I have had a grant from the General Education Board to study wage differentials, particularly in the South.

That grant was given at my request, and the subject was at my own selection.

I think that perhaps covers the preliminary remarks.

Senator TUNNELL. Do you mean differentials between persons working in the same industry in the same location, or between different regions?

Mr. LESTER. I will explain that, Senator.

There are three types of differentials:

Between the North and South; between industries within the South; between firms in the same industry in the same location within the South.

It was a general subject of wage differentials; it was not confined solely to the North-South differential.

Senator LA FOLLETTE. You are speaking now of your study?

Mr. LESTER. That is right.

I do not know how far you want me to go into that. That is the only thing I can testify on particularly as an expert. I cannot testify on particular provisions of the bill. If you want to interrupt me at any time, you go right ahead.

I published one article dealing with the past trends. There are four other articles that are coming out in the December and January issues of four different publications.

I want to summarize briefly the result of those studies, if I may, and I will summarize them under four headings.

First, what has the North-South wage differential been?

What is the past trend in the North-South wage differential in different industries?

That I have pretty well summarized in that pamphlet I have given you that was published in the Southern Economic Journal. (Text of the pamphlet appears in the appendix.)

The next general heading I would like to talk under is how the North-South wage differential varies from industry to industry, and also from firm to firm within the same industry, and firms in the same industry in the same locality.

Then the third question I would like to say something on has to do with whether these differences in wages paid for the same sort of jobs for the same type of labor represent differences in labor productivity.

Fourthly, I would like to tell you what adjustments firms can make to a narrowing North-South differential or elimintion of such differential.

Senator ELLENDER. Before you procede, would you be able to tell us the source of your data?

Mr. LESTER. I am coming to that now.

What I did, for one thing, was to send questionnaires to about 100 firms that have plants both in the North and South. That was one source of data, not for the pamphlet you have, but with regard to the items that I will now identify.

Senator ELLENDER. How did you select the firms?

Mr. LESTER. I selected all the firms I could find in manufacturing that had plants in both areas. I kept that strictly to manufacturing. It was not commerce or anything else. There may be a few more than that, but I think it pretty well covers it.

Those firms had a total of about a million and a half employees throughout the country. I can give you the exact number of plants, and so forth.

They are mainly large concerns, although the average number of employees are about between 1,000 and 2,000, I forget the figures. If you want them, I can give them to you.

The other source I used was to submit questionnaires to concerns in the South itself that were in industries and manufacturing, that generally had fairly good-sized North-South differentials in the statistics I had.

I questionnaired about 440 firms of that sort. I just picked them out of eight industries. I can name the industries if you wish.

As we go along, I will name some of them.

Addressing myself then, first, to the first general question I had:

What has happened to the North-South differential?

Most of that is summarized in the pamphlet I gave you.

I will just mention a few brief highlights on that.

We have pretty good statistics on that, that the Bureau of Labor Statistics has collected. That North-South differential has existed well over 50 years, and in some industries it has not changed much, while in other industries it has changed considerably.

If you look at some of the charts in here—page 318 is the first one—that gives the South in percentage to the North, and the actual statistics are in the back, in these tables.

I am not going to trouble you with them. You can see the sources of them. They are all taken from the Bureau of Labor Statistics Annual Report on the different industries.

If you look at this you will see, in general, the trend here.

This deals with the trends.

The trend of some of these has been rather horizontal, that is, following the trades on that page.

Farm wages has been somewhat down; metal trades has been somewhat down, while cotton textiles has moved upward.

There is another chart on page 326 that shows for lumber and blast furnaces, and on page 330 for paper and pulp, furniture, seamless hosiery, and fertilizer.

If you make a study of it I think you will be struck by certain things:

One is that the North-South differential—by that I mean the average differential between firms in the South and firms in the North—varies widely in this industry.

For instance, there is not much North-South differential in aircraft. The Ford Motor Co. pays the same in the South as it pays in the North.

In the oil industry there is not much of a differential; whereas, in rubber it runs very much from 25 to 30 percent. That industry is closely tied up with automobiles, oil, and aircraft. Indeed, there are two large rubber companies that are in the aircraft producing business, or have been.

The relative expansion of an industry in the South apparently has helped to explain the partial elimination of the North-South differential.

If you refer to the chart, for example, which shows the proportion of spindleage in the South, and also the ratio of the wages in about eight occupations, I think, in the cotton textile industry, you will see that in general when the differential narrowed it was in the period when the spindleage was increasing very rapidly. That is around 1895 to about 1911, and then again from about 1925 to 1934.

If you look at the different industries you are struck, I think, by the fact that New Deal legislation, NRA, the Fair Labor Standards Act, and so forth, have not had as great an influence on the North-South differential as you might have expected from popular discussion.

I can point to industries in which it apparently has had no influence at all, or at least the North-South differential has not been reduced.

In furniture, for example, there has been practically no reduction.

Senator ELLENDER. What is the differential between the North and South?

Mr. LESTER. In furniture?

Senator ELLENDER. Yes.

Mr. LESTER. It averages about 30 percent.

Senator ELLENDER. How about cotton textiles?

Mr. LESTER. It averages about 15 percent.

The figures are in the back here. I will give you the exact figure.

The last year I have is the 9 months for 1944, at the time I published this, and it was about 17 percent.

I am going to come to that, Senator.

That is an average figure and it does not mean so much.

There are cotton-textile firms in the South that are paying as good wages as the average in the North, and some of them even better.

Senator ELLENDER. How about lumbering?

Mr. LESTER. The differential is considerable in lumbering.

I have a chart here which is a little inadequate, because that does not have as many occupations as I would like to have for lumbering.

I think there are only four or five occupations that I could get that I carry back through that 50-year period. It has not changed much in lumbering.

Senator ELLENDER. What would you say the differential is?

Mr. LESTER. In lumbering?

Senator ELLENDER. Yes.

Mr. LESTER. I would say it is about 30 percent, 30 to 40 percent.

It is hard to make a really good comparison, because I have lived on the west coast for a couple of years and the lumbering there is absolutely different from the lumbering we have in the South.

Senator ELLENDER. I learned the other day an operator obtained out of 1 tree 11 carloads of lumber, whereas, in the South it might take in many instances from 4 to 5 acres of timber to produce 11 carloads of lumber.

Mr. LESTER. The productivity per man in lumbering was something like three times as high on the west coast per thousand board feet of lumber as in the South.

Senator ELLENDER. That is because of the size of the timber on the west coast?

Mr. LESTER. And mechanization.

Senator ELLENDER. That is right.

They use machines that could not be used in the South to advantage, isn't that true?

Mr. LESTER. That is absolutely correct.

I will not dwell any more upon this particular question, except to say this: The war has apparently had as much influence in reducing the North-South differential, if not more, than the various legislations we have passed. The Fair Labor Standards Act, the wage minimum under that, has caused little, apparently, if any, permanent reduction in the North-South differential in cotton textiles, furniture, full-fashioned hosiery, or lumber, although apparently some such legislation may have had some effect in reducing the differental in such industries as fertilizer, seamless hosiery, and men's and women's cotton garments.

During the war, the Southern cities registered the greatest increase in percentage of wages in retailing and service trades.

Now, I asked these interregional firms how their pay in the South would compare with the pay in the North.

I can give you the exact questions that I asked: "For all comparable jobs how would the average of the wage rates now paid by your company in its southern plant or plants compare with a similar average for its northern plant or plants?

Then I asked also some southern firms a question which is not directly the same, but I got somewhat the same answers. I asked them: "Suppose the differential were narrowed over the next 3 years, how would that affect your operations?"

I will give you a summary of those two things, if I may.

Senator ELLENDER. Can you separate them?

Mr. LESTER. Yes; I will separate them for you.

The first one deals with the interregional concerns.

Senator ELLENDER. That is, in the same manufacturing?

Mr. LESTER. That is right.

The automobile firms, aircraft firms, textile firms.

Senator ELLENDER. There is no differential there, as you said, except in the textile, to amount to anything.

Senator TUNNELL. Except rubber.

Mr. LESTER. Except rubber.

Senator ELLENDER. Rubber; yes.

Mr. LESTER. In the food firms there is a good-sized differential.

But I wanted to indicate the variation.

Take, for instance, cotton textiles. Here are eight firms that answered:

One firm said they paid slightly higher wages for comparable jobs in the South than in the North.

Three said they paid 10 percent lower in the South.

One said they paid 14 percent lower.

One 15 percent lower; one 16 percent lower; and one 20 percent lower.

Now take paper and pulp.

In that case one firm said it paid 5 to 10 percent higher in the South.

Two said they paid the same for skilled workers, but lower for unskilled workers.

One said they paid 17 percent lower in the South; and one said they paid 21 percent lower in the South.

Furniture and plywood:

One said they paid the same in the South, and one said they paid 10 percent lower.

My point here is that there is a great deal of variation between the policies that interregional concerns followed with regard to wage payments in the South.

There are a great many, probably one-fifth of those that I have here, that pay exactly the same in the South as they pay in the North.

In the furniture industry, for example, there is one concern that pays the same in the South that it does in the North, although the average differential there is 30 percent.

These answers I want to give next are from southern concerns.

I asked them what adjustment they would make under narrowing differentials, and some of them answered that by saying that they did not have much, if any, differential.

I selected those firms, as I told you, from, I think, eight industries that had a fairly considerable average North and South differential.

That is, they were furniture, they were cotton textiles of various sorts, chemicals, machinery, hosiery, and so on.

Yet although the average for all the 51 concerns, I think it was, that replied to this particular question, was 13 percent. Here is one in Virginia—I got these in confidence, so I do not want to identify them in detail—said:

> We pay wage rates comparable with the northern scale in our industry.

Senator ELLENDER. A moment ago you said the average differential was 13 percent.

Mr. LESTER. For all of the 51 concerns.

Senator ELLENDER. Would you give us the high and low?

Mr. LESTER. Yes. Some of them have no differential at all.

Senator ELLENDER. I see.

Mr. LESTER. Thirty-five to forty percent is the greatest one, I am pretty sure. Here are some of the answers I received. I will not say this is an entirely representative sample.

Here are a few that say there is no North-South differential. One of them is in the clothing line; one in paint production.

Senator ELLENDER. When you say "clothing line" you mean making wearing apparel?

Mr. LESTER. That is right.

Senator ELLENDER. You find much of a differential in those concerns in the South and North?

Mr. LESTER. In wearing apparel?

Senator ELLENDER. Yes.

Mr. LESTER. It is not so much now as it was.

The Fair Labor Standards Act, I think, has affected the rest of them, but there is some differential all right.

Senator ELLENDER. Did you find it as to a particular line of wearing apparel, for instance, like overalls or working clothes?

Mr. LESTER. No; it varies so much from concern to concern that I do not think you can pick on a particular line.

Senator ELLENDER. You mean it varies so much from concern to concern in the cost of producing the goods?

Mr. LESTER. No; the differential would vary so much from concern to concern.

Senator ELLENDER. You are going to develop that, as I understand, from concern to concern?

Mr. LESTER. If you wish me to, I can develop it.

Senator ELLENDER. I think it would be most important for this reason:

We are being asked in Congress to put all sections of the country under the same minimum wage level, and in the course of your remarks, and with the information you now have, I believe it would certainly be pertinent for you to give us your view as to whether or not that can be done for all industries.

Senator TUNNELL. Well, we already have it, do we not?

Mr. LESTER. I will be glad to attempt to answer your question.

Senator TUNNELL. We already have the minimum wage law.

Senator ELLENDER. Of course, it is so low, Senator, that it would not be as bad as though you put it up to a minimum of 75 cents an hour.

Senator TUNNELL. Well, the same objections were raised in the hearings in 1938 that are raised now, and the same people are making the objections.

Mr. LESTER. I think I can come to your question, if you will let me, as I go along.

Senator ELLENDER. All right.

Mr. LESTER. Here is an underwear concern in North Carolina that says:

> We do not think there should be any North-South wage differential. We believe the South can compete with the North on any labor basis.

That concern has an average differential now of 7 percent.

Here is a Georgia concern making work clothes that says:

> There is very little difference in North-South wage rates in our industry—5 to 10 percent.

Here is another one on work clothes in Georgia that says:

> We find the well-organized southern manufacturer can compete with the same wage level. We are closer to this level today than ever before, and only a little difference exists.

Here is a North Carolina work-shirts concern. He says they are already on the same basis.

A Georgia firm making women's dresses, already on the same basis.

The same thing is true of a Virginia concern making the same thing.

Here is a hosiery concern in Georgia that says:

> The present differential is negligible.

Here is a furniture concern that has a little different situation. It says:

> We would not be affected much because 90 percent of our market is in the South.

Here is a furniture concern from your own State, I believe, Senator, from Louisiana, that says:

> Our work is of a specialty nature, and therefore any increased labor cost would have to be added to the sales price.

They figure their differential is 20 percent.

Here is a chemical concern in Georgia that says:

> We do not believe there is much difference in our wages and the wages of northern competitors. We have a profit-sharing bonus system.

Here is a fabricated-steel concern that says:

> In our industry, fabricated steel for buildings, there is little difference in wages North and South, and reducing the differential would be of little consequence.

Here is another concern in Alabama, making foundry products and machinery, that says:

> We do not recognize any differential as we are paying molders and machinists the same as they get in the North. We are paying pattern makers more than most firms pay in the North. Possibly there is a small differential in the pay of common labor, but we doubt if you will find much here except in specific plants.

I think the point is, Senator—and I could indicate that by going into specific areas, which I have done in cotton textiles—there is a variation within the same city in the South, in the same industry, cotton textiles, let us say, or furniture, that is greater than the North-South differential, which indicates to me a lack of standards in that area.

That variation indicates to me that you really do need some sort of minimum wage, some sort of floor, because you have got concerns in that same city that are able to do it, while other concerns are not doing it, but they are getting, apparently, the same quality of labor.

Senator ELLENDER. Have you been able to determine why?

Mr. LESTER. I think it is because they can get away with it.

Senator ELLENDER. How about technological advances in some industries as contrasted to others?

Mr. LESTER. Take, for instance, the straight cotton textile mill. There is not so much difference between many of those cotton textile mills.

For example, Statesville, N. C. I went over the figures for Statesville. The variation in cotton textile wages in Statesville alone is greater, using the statistical measure, than if you take the whole South. That is, the variation in the city of Statesville, N. C., alone is greater than in the whole South.

That indicates to me a lack of standards in Statesville.

Senator ELLENDER. What is the date of that data?

Isn't it almost equal now?

Mr. LESTER. No. The date of the Statesville data is July 1943. It is a BLS study.

Senator ELLENDER. Were they not supposed to be about the same? I mean, they were both under the Fair Labor Standards Act, weren't they?

Mr. LESTER. Yes; but the 40-cent minimum did not apply much. In the decision of the National Board in February of this year they put a 55-cent minimum in.

Senator ELLENDER. Yes.

Mr. LESTER. That is only the minimum. In the cotton textile industry, in the better firms, you have but few occupations at the minimum. You have scrubbers and sweepers, you have yard labor, but that would be about all.

What I took here was a representative sample of the occupations. I took six occupations, or eight occupations, ranging from loom fixer at the top down to common labor at the bottom. I just mentioned Statesville, but you can pick Charlotte, you can pick any of the textile centers, Greenville and Spartanburg.

They say: "We do not have as much variation as the others." But my point is, you do have a tremendous variation which is not justified on the basis of what those people are doing. Their work assignments and work load is pretty much the same; the machinery they are operating is pretty much the same.

You do get this situation, apparently, in wages, that you do not get in the commodity markets, where you get a different price for the same grade of thing right in the same locality, and a pretty widely different price. For that reason, I think it is desirable and necessary to have a minimum wage on which to base the rates of your wage scale, and you ought to have it pretty much in common with the rest of them.

That is, I have had employers in the South tell me that their most unfair competition was right in their own locality, because these people were undercutting any standards that they were trying to put up, and they were trying to get a common base for all of that.

You and I know there are arguments for your North-South differential, but in the South most of them will tell you, "We want our competition here on the same basis."

Senator ELLENDER. You concede as between industries there is a great variation?

Mr. LESTER. That is right.

Senator ELLENDER. Of course, within the industry itself, as you have just indicated, there is some variation.

Mr. LESTER. There is considerable variation, and even within the locality within the same industry, there is a considerable variation.

Senator ELLENDER. Then you concede that there is some variation,

to a large extent, between industries in the North and South—not as to all, but as to many.

Now, the question I go back to is: Is it fair to put all of them under the same umbrella, with the same minimum wage, when your own testimony shows these variations?

Mr. LESTER. I think it is.

Senator ELLENDER. As between industries?

Mr. LESTER. I think it is.

I think it is if you are dealing in terms of common labor within the same industry in the same general area, for this reason:

If you do not do that, then you get the situation where the fellow in the same town is being undercut by people producing the same article.

Senator ELLENDER. That is going to have to be applied Nation-wide.

In other words, industry in the South and in the North is now paying 55 cents, and probably cannot pay more than 55 cents, and you are putting them in a position where, in 2 years, you are forcing them to pay 75 cents, if this act passes as written.

Do you think that that is feasible?

Mr. LESTER. I will come to that in a moment, if I may, or I will deal with it directly now.

Senator ELLENDER. If I may enlarge on that, because I notice here that you have made studies, you were a member of some commission to fix wage differentials, and I would also like you to say, if you will, what effect will the raising of the minimum wage to 75 cents have on the wage structure of an industry; with particular emphasis as to employees in the upper brackets.

If we could relegate this bill to a particular group, and it would stop at that, as some witnesses have testified, many industries may be able to stand the gaff, but under this bill, as you know, the Administrator has a right to select advisory committees, who, in turn, have the right to classify jobs and determine differentials in pay all the way up.

With that in mind, I wish you would answer the question I just propounded to you.

Mr. LESTER. All right.

Let me start by answering you first on whether the firms could stand it.

What I did was to make a study on what they are getting for their labor in the South over what they are getting in the North.

I have an article which is going to appear in the Journal of Political Economy in the December issue, on the Relative Effectiveness of Labor in the South Over Labor in the North. I used these regional concerns.

I asked them whether they they are getting as much per hour out of labor in the South as in the North.

Then I also asked them what their wage differential was on an average between the North and South, between comparable jobs.

Let me just briefly run over that.

A number of studies have been made of the comparative effectiveness of factory labor in the North and South. Two detailed studies of three textile firms, with plants in both regions, were made.

One was published in the TNEC hearings and another one was published in the American Economic Review.

They took the identical firms that had plants in the North and South.

They found in those instances that southern labor in those concerns—and those were cotton textiles—was as efficient as northern labor.

In response to a comprehensive questionnaire that I sent out, 23 of 41 interregional concerns reported the efficiency of factory labor in their southern plants to be equal to, and in four instances, to be above, the efficiency of labor in their northern plants.

I asked them not only as to the effectiveness of their labor, I asked them as to their actual output, and more said they got better returns in the South on the basis of actual output.

That would lead me to believe that the work loads, if anything, are a little higher in the South than in the North, at least in those concerns.

I asked also a dozen industrial engineering concerns that are doing consulting work both in the North and South their opinion of the relative effectiveness of labor in the South as against the North, and each of those 12 said that labor productivity in the South was as great or greater than in the North, under comparable conditions.

Now, the actual differential being paid by these concerns varied widely.

Some of them were getting as much, in terms of labor, in the South, as they were in the North. Yet they were paying 25 percent less in the South, or from 20 to 25 percent, in one case 21 percent, 20 percent less in another case, and 19 percent less in another case, than in the North, and so on right down the line, which would lead me to believe that the wage differential as such is not closely tied up with differences in the actual productivity of the labor.

I think the experience of these firms, and the industrial engineering concerns, indicate that southern labor, if given the right opportunities, can produce as effectively as northern labor.

Therefore, I do not think, on the basis of simple effectiveness of the labor itself, you can justify a differential.

Now there may be some basis for justifying it. I tried to go into some, but they are a little too intangible to get it.

Now I found that some of these concerns would answer me this way:

They would give me all the advantages of locating a furniture factory in the South, or locating a hosiery concern in the South, and then they would wind up by saying: "But we should have a North-South differential," after listing all the advantages.

Now there may be grounds for North-South differentials, but I do not think you can support them on the basis of differences in labor productivity.

The experience of concerns doing the same work in the South is so varied, in terms of labor productivity, that I do not think you can support it on that basis.

These figures would lead me to believe that of these concerns, 25 or more of them are getting as much or more out of southern labor than northern labor, and I think most of the other concerns can do it.

Senator TUNNELL. Let me ask you this:

Is that getting as much per hour or per person?

Mr. LESTER. I will give you the question I asked them. It is difficult to get at it by putting it on an hourly basis or per person.

I put it two ways.

I said: "Under normal peacetime conditions, how did labor in your southern plant or plants compare with labor in northern plant or plants with respect to efficiency or effectiveness under comparable factory conditions and supervision (this is intended purely as a measure of labor effort, ability, and speed, making allowances for differences between the northern and southern plants in such nonlabor matters as management, equipment, and so forth)."

"In setting base rates by time-study methods, has it ever been necessary to set different standards of achievement or different allowances for fatigue, and so forth, in your southern plant or plants from the standards of achievement or allowances used in the northern plant or plants?"

I think, with one or two exceptions, they said it was never neces sary to use any different standard of achievement or different allowances for fatigue.

Then I asked them: "Under normal peacetime conditions how did the average output per man-hour or per man-day in your southern plant or plants compare with the average output in your northern plant or plants for comparable operation?"

I will read you some of the answers.

Senator ELLENDER. In what industry?

Mr. LESTER. I will take first the furniture industry.

One said:

> Have no reason to believe southern workers are any slower than northern workers under similar circumstances.

I can quote a number of answers to questions on that.

The experience under the Fair Labor Standards Act and under the NRA was when they had some pressure to increase their wages, they improved the effectiveness of their operations.

I will give you some quotations from the questionnaire that I got on that in a minute.

I asked these fellows, you may remember, what would happen if their differential was sharply reduced over the next 3 years. That is another questionnaire, and I will come to that in a minute.

Here is an interregional concern that says:

> Our experience is that while there is some variation between plants in regard to efficiency, we have always considered it more or less due to plant lay-outs. Our supervisory organization and the type of manpower available, which we are sure about, is not brought about by the fact that the plant is located in any particular section of the United States, as far as climate is concerned.
>
> As a matter of fact, our operation in Texas is one of the most efficient we have, while our locations in larger industrial areas, such as New York, Chicago, Detroit, have never been able to obtain the type of labor that we have in Texas.

Senator ELLENDER. What kind of business was it?

Mr. LESTER. That firm is one of the 10 largest firms in the country.

Senator ELLENDER. But engaged in what?

Mr. LESTER. Manufacturing.

Seantor ELLENDER. Of what?

Mr. LESTER. If I told you, Senator, you would know the concern.

Senator ELLENDER. All right.

Mr. LESTER. There are only three large concerns in that industry.

Senator ELLENDER. Of course, I can pick it out in the oil industry?

Mr. LESTER. It is not in the oil industry.

This is straight manufacturing of consumer durable goods.

Here is one from your own State. Again I cannot identify it any further. I think perhaps you would know it. It is in the building-materials industry. They say:

> While production is about the same, lack of labor difficulties gives the South an advantage. We pay the same rates to Negroes, but they do not compete for higher-rate jobs.

Here is a textile concern that has plants in New England and one in Alabama. It says:

> Labor efficiency on the same jobs is probably greater in this plant in Alabama than the one in New England because the workers are not so afraid to take on additional work assignments.

Here is a textile concern in Georgia, and also in New England, that says:

> Answers above are based on opinion only. We do not attempt to make any such comparisons ourselves. There are too many extraneous factors, such as differences in management, type of machinery, and product. Furthermore, it would be impossible to generalize for the plant as a whole. We would have to consider each job separately.

Here is another textile concern. This one also has a southern plant located in Alabama. It says:

> The comparisons I made were rather difficult to figure. Our northern plant is a worsted plant while our southern plant is a cotton plant. I base my figures on comparative work loads and base scales.

I have one or two from the oil industry:

> Output in production operations bears little or no relation to personnel. It would seem the advantage lies with the North, but there are many factors to consider, including the average age, average service, and so forth.

Here is a paper industry in which he says:

> The output in the South is greater than the output in the northern plant of our company. Southern white workers are found very cordial to the stimulus of wage-incentive plans.

In the rubber industry two concerns said that there was difference in production standards in the South from the standards that they used in the North.

Here is one concern in textiles that says:

> As as general statement, we are pleased to advise that we endeavor to pay equal rates for comparable job assignments. In some skilled trades our rates are higher in the Virginia plant.

Senator TUNNELL. Is not the gist of what you have said here that the wage rate is 13 percent below the North and the productivity is about equal?

Mr. LESTER. I think it varies very much from plant to plant. My point would be this, Senator: So far as the productivity is concerned, if you get the wages up I think the companies, in many instances, will find ways of adjusting themselves to it, without causing them too great difficulties.

May I summarize by just reading two paragraphs, Senator?

Senator TUNNELL. All right.

Mr. LESTER. I asked these concerns in the South that had an average differential of about 20 percent what adjustments they would make if that differential was reduced. For all of them it involved an average increase in wages of 11 percent. Assuming no change in the schedule, there are 43 southern concerns that answered this, and for those 43 southern concerns the average increase was 11 percent in wages. Assuming no change in wages on the part of their competitors in the North and West, for 11 of the 43 concerns selected the wage would have been 17 to 33 percent. I postulated cutting the differential in half in 3 years, yet they all emphasized three things, and one was improved management.

I asked, "How much could be done by improved management?"

In the case of one large southern textile mill, which came out in testimony before the NRA, although the NRA required them to raise their hourly wages 38 percent, their actual labor cost only rose by less than one-third of that. To quote an executive in the Riverside & Dan River Textile Mill, Bob West, he said it was due to the fact that "utilization of improved machinery, better management in production, better application of skilled labor, and more adequate scheduling of the flow of production, and better selection of materials" permitted them to make savings, so the actual increase in labor cost was less than one-third of the increase in hourly rates.

Senator ELLENDER. Mechanization will do that every time.

Mr. LESTER. I asked them about mechanization, and they said improved management methods, installation of labor-saving machinery, and they had about six other things. The things that they emphasized the most were improved management methods. That was the biggest adjustment that they could make. That indicates to me that there is a lot that could be done along that line.

The next thing they mentioned was labor-saving machinery.

The third thing they mentioned was increased sales effort. Only 4 of the 43 concerns mentioned that they would reduce employment or output at all. That was one of the questions that I asked them. So, that would indicate to me that the adjustment that they would normally make would be to improve their management, put in labor-saving machinery, improve their sales efforts, and get their production up to near capacity.

I think the experience even under the Fair Labor Standards Act indicates that, Senator. There are at least two industries where the differential was reduced as between the North and South, and that was in furniture and men's and women's clothing, cotton clothing.

I think that is all I have to say.

Senator TUNNELL. Do you have any questions, Senator?

Senator ELLENDER. I was just waiting for an answer to the question that I put to him a minute ago.

Mr. LESTER. Ask me the question again, please.

Senator ELLENDER. From what we have been talking about since I put the question to you I would conclude that although there is a differential of as much as 35 percent in some industries, as between industries, it is your contention that we can pass a law today increasing the wage differential from a minimum, in many industries, of as low as 45—we have got a lot of testimony to that effect, and some 55—and from that minimum we can jump to 65 cents at once, and the next year to 70 cents, and the third year 75 cents; is that your contention?

Mr LESTER. I have not testified to that, sir.

Senator ELLENDER. That was the question I asked you.

Mr. LESTER. Whether I think that the minimum should go within 3 years to 75 cents?

Senator ELLENDER. What effect it would have. You were here this morning and heard two witnesses who testified as to the motor-carrier industry.

Mr. LESTER. I only heard the last part of the testimony. I am sorry I was late.

Senator ELLENDER. In that case, I think they presented pretty strong evidence to show that if they have to increase wages along the line suggested in this bill it might put them out of business.

Senator TUNNELL. But they could not tell you what they were paying. We do not know whether the act will affect them or not. He said so.

Senator ELLENDER. He said so, and he said some were receiving 45 cents and others 55 cents.

Senator TUNNELL. He said he did not know what they were paying, but he promised to get some figures.

Mr. LESTER. Senator, I will try to answer your question this way: I think a provision in this bill to make differentials all the way up and down the line is a very complex thing and very difficult to administer. Personally, I would prefer to see them put in a minimum and leave to collective bargaining and negotiation by the parties the part that is above that minimum.

Senator ELLENDER. That has been my own view.

Mr. LESTER. That is my own personal opinion.

Senator ELLENDER. I know some industries in my State, and I know some in other States, and I got the information from these hearings, wherein the rate of pay is now 55 cents. You take in the lumber industry, professor, 58 percent of the employees engaged in lumbering do not get 65 cents now. Now, suppose you were to slap this 75-cent minimum on them over a period of 2 years, what effect do you think it would have on those industries if prices were not permitted to rise?

Mr. LESTER. You mean put them up to 75 cents in 2 years?

Senator ELLENDER. Yes; because that is what the bill provides.

Mr. LESTER. I am a conservative, Senator, and I do not think I would go up quite that fast.

Senator ELLENDER. You remember when the present wage and hour law was passed, I think that Members of Congress conceded that the minimum of 40 cents was not quite as high as some would like for it to go, but they felt that to change it overnight would be very harmful, therefore, the Congress agreed that for the first year the minimum would be 25 cents, the second year 30 cents, and for the 40-cent amount 6 years would elapse.

Mr. LESTER. But I think this is also true, Senator, that you can do more than you might think. That is, the furniture industry, the cotton textile industry, and so on, can meet these situations better than they think. I think the experience under the NRA, under the National War Labor Board, the minimum of 55 cents for the cotton textile industry, all of those things, indicate that they can meet them much better than they will tell you publicly they can do.

Senator ELLENDER. That is due to the fact they were paying miserably low wages from the beginning.

Mr. LESTER. The National War Labor Board went into the cotton textiles and spread that 55-cent rate throughout the South.

Senator ELLENDER. Why did not the National War Labor Board make it more than 55 cents?

Mr. LESTER. At that time?

Senator ELLENDER. Yes. Can you tell us that?

Mr. LESTER. I think that was decided by the War Labor Board, and their decisions are not published. I do not know why the War Labor Board did not make it more than 55 cents.

Senator ELLENDER. Don't you think they would have made it more if industry had been able to stand it? In other words, it has been my contention the reason why the WLB did not make the minimum more than 55 cents was to "hold the line" as ordered by the President.

Mr. LESTER. This was on the basis of substandards of living. It does not affect more than minor fraction, the 55-cent minimum, of the jobs in the cotton textile industry.

Senator ELLENDER. Well, it affected it quite a bit in other industries, I know, as well as textiles.

Mr. LESTER. My point is you have established, for some of these industries pretty generally now, 50 and 55 cents. I think over a period of time you can go on right up to 65 cents. I am not saying what the figure should be. I have not gone in to investigate that. I think you have had testimony here on that.

Senator ELLENDER. You are not willing to venture the time or the figures, then, are you?

Mr. LESTER. No; I would not. I would probably like to err on the conservative side, but I think industry could do a lot more than a person would think offhand it could to begin with.

Senator ELLENDER. Now, you have made studies as to how much wages would rise in the upper brackets if the lower brackets are upped. Assuming that this bill does become effective at the end of 2 years at a 75-cent minimum, how, in your opinion, will the wage earner in the upper brackets be affected? How much will his increase be?

Senator TUNNELL. If your investigations have covered that.

Mr. LESTER. They have not covered that, but I can answer it. Is it in the bill here?

Senator ELLENDER. It is in the bill here.

Mr. LESTER. Then they will be raised up by just the amount that the lower fellow is raised.

Senator ELLENDER. In other words, if the lower fellow is raised 30 percent, the higher-paid fellow will get 30 percent. That is what we can reasonably expect.

Mr. LESTER. Under the bill.

Senator TUNNELL. The bill does not say that.

Senator ELLENDER. Your studies show, though, that that would be the effect?

Mr. LESTER. If that provision is in the bill and if that is enacted into law, I think that is what is anticipated, and that is what would happen.

Senator ELLENDER. What effect do you think such hiking up of wages would have on the cost of living?

Mr. LESTER. I cannot answer your question, sir.

Senator ELLENDER. But you know it will affect it, don't you?

Mr. LESTER. I think, though, Senator, the statement that I quoted from the Riverside and Dan River firm would indicate that the cost of living would not go up by more than a very minor fraction of the wage increase.

Senator ELLENDER. I will agree to that. So that, in the course of time the fellow whose wage is hiked up will find himself in the same position as he is now?

Senator TUNNELL. That would not follow.

Mr. LESTER. I said it would only go up a minor fraction.

I told you in the Riverside and Dan River case the fellow said their hourly wage rates were raised 38 percent, and their actual labor costs were only raised by less than one-third of that.

Senator ELLENDER. That was due to mechanization, and the per-unit cost is reduced thereby.

Mr. LESTER. He said it was not mainly due to mechanization, but due to improved management.

Senator ELLENDER. Due to improved management, mechanization, and a better method of choosing materials.

Mr. LESTER. Organization of his work, and so on, training, and that type of thing. There is a lot you can do to save on labor if you really have to.

Senator ELLENDER. What about the smaller plants—and I know a lot of them in the South, and you do, too, who cannot do those things? What is going to become of them?

Mr. LESTER. They do do that, Senator. Their answers to this questionnaire indicate that. In the answers I had from the southern firms, the average number of employees was only a couple of hundred. Some only had eight employees.

Senator ELLENDER. Well, a sawmill owner, for instance, who employs probably 15 people, they go about the woods and cut trees that are maybe just 8 inches in diameter, and sometimes it will require an acre or an acre and a half of trees to make a car of lumber. Now, I am quite certain that those operators cannot improve themselves by mechanization very much, and yet we are seeking here to put them in the same category as the fellow in the Northwest who has the ability and money and everything else to mechanize his plant to the extent where he can absorb any increased rate.

Mr. LESTER. I do not think you can put them in the same category in that sense. Out in the far West they are asking now, in the lumber industry, a minimum of $1.05 an hour, and the minimum under this bill would not affect those people. You would have to go pretty high to get to $1.05.

Senator ELLENDER. No. But as you said a while ago, it would affect them in this way: If we fix a minimum of 75 cents, employees in the upper brackets are going to ask for more, and likely in proportion to the increase Congress grants. That follows as true as night follows day, or vice versa.

Senator TUNNELL. Senator Ellender's question assumes it cannot be done, and then asks what the result is going to be.

Mr. LESTER. I am sorry I have taken so much of your time, Senator.

Senator TUNNELL. That is perfectly all right. We will recess until 3:30 this afternoon.

(Whereupon, at 12:55 p. m., a recess was taken until 3:30 p. m., of the same day.)

(The text of the pamphlet submitted by Mr. Lester appears in the appendix.)

AFTERNOON SESSION

The subcommittee met at 3 p. m., following the recess, Senator James M. Tunnell presiding.

Senator TUNNELL. The committee will be in order.

All right, Senator Mead, we will be glad to hear your statement.

TESTIMONY OF HON. JAMES M. MEAD, UNITED STATES SENATOR FROM THE STATE OF NEW YORK

Senator MEAD. First of all, I want to express my gratitude to you, Mr. Chairman, and to the members of your committee for providing this time for me in which I might incorporate into the record my thoughts on the pending minimum-wage proposal.

As one of the cosponsors of Senate bill 1349 I am very much interested in the legislative program that your subcommittee is considering.

The proposed amendments are designed to extend the wage and hour provisions of the present act, to eliminate oppressive child labor from a large segment of our economy, to redefine the minimum wage in terms more consistent with present-day standards, prices, and technical achievement, and to assure that workers paid more than the minimum will retain the wage differentials justified by their skill and responsibility. Essentially the objective of these amendments is to raise the standard of living of our wage earners and their dependents so that they may be afforded at least a minimum of the necessities of life and an opportunity to live decently and honorably. With this objective there can be no quarrel. It is one of the essential purposes of any economic order worthy of perpetuation. I am convinced, moreover, that this objective is thoroughly consistent with our goal of full employment and that it need not jeopardize the profits of legitimate employers. By this bill we improve the social and economic lot of the one-third that President Roosevelt referred to as the poorly housed, fed, and clothed.

The responsibility of the Federal Government to participate in the contractual relationship between employer and employee in the interest of the disadvantaged and of the people as a whole is now generally accepted. The wage bargain, for example, is not a matter of concern only to the worker and his boss. It affects the competitive position of other employers, the volume of sales and of production, the level of employment, the burden of taxation, and the health of the population. After long neglect this Federal responsibility was recognized in the National Industrial Recovery Act of 1933, and it subsequently prompted the passage of legislation guaranteeing the workers' right to organize, upholding minimum standards of work, fostering collective bargaining, establishing social security, stabilizing wartime wages, and otherwise affecting employer-employee relationships in the interest of the general public.

One of the great milestones in the workers' economic advance was the passage of the Fair Labor Standards Act in 1938, which established a minimum wage of 40 cents an hour in industries engaged in interstate commerce. Prior to the passage of this act thousands of workers in these industries, unprotected by labor unions and unable to command a living wage in a world of unemployment, worked for as little as 15 or 20 cents per hour. Some of these workers worked

for producers who were so inefficient that they could not afford to pay a decent wage. Others were victims of unscrupulous employers, who profited from their helplessness. Nor would they try to raise wages while that cruel system remained. The competitive position of this latter group was strong enough to depress wage rates in entire industries. Thus shortly before the effective date of the act all the workers in the cotton-textile industry—skilled and unskilled together—averaged less than $13 per week, and workers in some of the apparel industries averaged only $11 or $12. Most of these workers had a yearly income of less than $600.

There were many dire predictions as to the results of imposing a 40-cent minimum on these low-wage industries. But these predictions were not realized. The record of the success of the act is perfectly clear. Considerably in advance of the final date established by law, wages below 40 cents per hour had been eliminated from the covered industries. The minimum wage did not cause serious unemployment in any line of production. On the contrary, the higher wages that have resulted from this act and from the competitive bidding of wartime employers have been used in large part to buy more food, clothing, and other necessities and comforts, have stimulated production and employment, and facilitated the maintenance of liberal profits.

We have been able during the war to achieve a generally higher minimum wage than that guaranteed by the Fair Labor Standards Act. It is to the interest of workers, employers, and the general public to maintain that gain and advance to an even more favorable position as wartime improvements in organization and technology are introduced into peacetime production.

The 40-cent minimum—sufficient to yield about $800 a year to a worker who was continuously employed—was a notable achievement, but it was never adequate to assure the worker a decent standard of living. During the war, moreover, even the protection previously afforded has been partly lost as a result of the rise of the cost of living. Living costs for workers in the lower income classes are at least one-third higher today than they were when the Fair Labor Standards Act was passed. Thus, it would be necessary to raise the minimum by one-third or more to afford the degree of protection contemplated when the act was passed. The present proposal, while going somewhat beyond this, will still fall short of an adequate standard. A continuously employed worker who is paid 65 cents per hour will earn only about $1,300 annually, while an hourly rate of 75 cents would yield only about $1,500. The current minimum cost of an adequate budget is not known, but the Bureau of Labor Statistics which is now studying this difficult question has assured us that it exceeds $1,500. Even in the minimum wages proposed in this bill, however, would permit an improvement in present living standards and would eliminate the needs of thousands of mothers and children to work in order to supplement family incomes.

Increased efficiency developed during the war, lower production costs now that the overtime wage scale is no longer a force, and the new tax bill repealing the excess-profits tax will serve to protect the employer's profits margin.

Employers in general stand to profit from the provisions of this bill and many of them can be counted upon to support it. Wartime and

postwar increases in worker productivity will permit higher wage levels than before the war without corresponding increases in costs; the normal increase in productivity per man-hour is in the neighborhood of 3 percent annually. Higher wages mean a higher level of national consumption, capacity production, and fair profits. Vast numbers of American employers long ago found it feasible to pay wages at least as high as those provided in the act, so that today 80 percent of all factory workers already receive a wage of 65 cents an hour or more. Other employers will gladly pay the proposed minimum wage if they are protected by law against the lower costs of sweatshop competitors. Higher wages mean a bigger consuming market for the producer and higher prices for the farmer.

While some few casualties may have resulted from the application of the original act, it must be remembered that many a fair employer who wanted and did pay more was driven out of business by low-wage firms. It would, however, be shortsighted to consider only the effect of these amendments on the worker and employer and to ignore their significance to the Nation as a whole. For even if we were willing to close our eyes to the plight of our lowest-paid workers and their families and to permit legitimate employers to be subjected to the unfair competition of unscrupulous wage cutters, there are still compelling reasons why these amendments should be enacted in the interest of the general public.

During the war we achieved the greatest national income in our history, an income that in 1944 approximated $160,000,000,000. Had this income consisted exclusively of peacetime goods and services it would have permitted for all of our people a standard of living appreciably above the subsistence level. This great achievement was a result of long hours and prodigious effort, but it was accomplished with more than 12,000,000 potential workers in the armed forces.

It is our responsibility to maintain this national income and in the near future to exceed it. Economists tell us, however, that the reduction of the workweek, the transfer of war workers back to the lower-paid peacetime industries, and similar postwar changes, unless offset by an increase in wage rates, will reduce total pay rolls by 10 to 20 percent, or even more, with the prospect of similar cuts in national income. The wage increases resulting from a higher minimum wage will not only raise the aggregate amounts paid out in wages and salaries, but because they primarily benefit the lower-income classes, will be particularly effective in stimulating expenditures and thereby supporting capacity production and full employment. Practically all this money will be promptly spent for necessities of life.

A higher minimum wage should yield substantial benefits to taxpayers, because it will increase workers' incomes and facilitate the maintenance of full employment; it will increase the yield from any given rate of taxation. At the same time it will reduce the drain on Federal, State, and local tax funds for unemployment benefits and relief.

Finally, the minimum wage will give help to those families whose educational opportunities have been most limited and who have suffered most from malnutrition and disease. The minimum wage will consequently make for a healthier population and better citizens.

The history of the Fair Labor Standards Act has proved that wages below 40 cents per hour could be eliminated with no serious repercus-

sions. I believe the additional forward steps proposed in S. 1349 are clearly in the interest of the worker, the legitimate employer, and the general public. I hope, therefore, that these proposals may soon become part of that body of successful labor legislation that has been added to our statute books in recent years.

Mr. Chairman, I think that there have been some repercussions as a result of the passage of the original minimum-wage law, but they are traceable as being, perhaps, ordinary casualties that would occur if no wage bill were passed at all that particular year.

I think that they are repercussions that, if they were studied, resulted more because of a low-wage competition that had a tendency to drive employers who did pay higher wages out of business.

I do not think that we can defend a very low wage policy—which we hope is to be corrected by this legislation—in our economy, because we know what we are capable of producing.

We have the plant to produce that capacity, we have the skilled workers and the machines and the transportation, and if the only weakness in the system is that there is no work for a man to do, or his work compensates him too little with which to buy, then there is a sickness, a weakness, in that economy that must be corrected or the deterioration is bound to have an evil effect on the surrounding industry.

I think that this is the opportune time, as a result of this increase in productivity, increased efficiency, as a result of the return to the shorter workweek and reduction in the overtime pay schedules and the labor provisions of the tax bill, which will favor the employer and the great consuming markets, I think that all those things will be enhanced as a result of this legislation.

I hope that it will receive the approval of your committee.

Senator TUNNELL. Now, Senator, it seems to me that we have had a great deal of testimony, and from it it would appear that there is not much contradiction of the fact that a floor of some sort, a minimum-wage level, would be beneficial for the very purpose you are speaking of; that is, that it prevents unscrupulous competition, to put it that way.

Senator MEAD. That is correct.

Senator TUNNELL. Also, there seems to be general agreement that higher wages would increase the purchasing power of the Nation.

Senator MEAD. And particularly in that category where all the increase goes right into the essentials.

Senator TUNNELL. Yes. Then we come to the point on which there is a disagreement, and that is as to whether an increase in wages would create such an increase in the cost of living as to balance the increase in wages.

Senator MEAD. Well, it occurs to me that if this increase takes place in the lower categories, that you will find that a very large segment of the industries affected are already paying more than this scale calls for. In some industries you might find 10 percent that are not meeting these minimum requirements, and 90 percent that are.

I feel that the dangers that will result if wages being raised results in increasing the cost of living are offset by the dangers that must result from the effect upon that segment of the industry meeting that higher wage level from the lower wage competition.

It is an economic fallacy to expect an industry to survide with a wide disparity within the industry in the wage levels of the employees. It has a bad effect and it has a tendency to pull down the higher industries, which might result eventually in an inflationary spiral.

I cannot see any economic disturbance of any moment that would result. I think that we are more apt to have higher prices where maximum wages are under consideration and where maximum wage scales are under consideration; if wages can be increased without increasing the prices, then there is no ill or evil consequence to it.

Senator SMITH. Let me ask you whether I am right in believing that that is brought about by increasing the production, that that is the way they can get the over-all price down. Do you agree that we should have our prices kept down in order to distribute the products of our production more widely to our whole population?

Senator MEAD. That is correct. As a rule, wages that are increased without increasing prices are very necessary and helpful in the economy of the country.

Now, where wages are increased, they are increased, as a rule, because of the higher skill of the worker and the higher efficiency of the operation and because it promotes the volume of production that we want.

Senator SMITH. That is just my point.

Senator MEAD. Now, there are cases where higher wages are justified, even when the prices must be increased to meet them.

Senator SMITH. Do you think that they can keep up price control in industry, whether or not Mr. Bowles is involved? I am thinking of the price control side of it. We have had testimony which would seem to indicate that the wage figure is a high percentage of the cost. In those industries they might try to keep the wages in line.

Senator MEAD. There are things that might keep wages up. In our economy there are industries which will have labor shortages otherwise.

I am thinking now of forges and foundries and the heavy tire industries and other industries.

The wage conditions in those industries were brought about principally by the unattractiveness of the jobs, the heavy, grinding, dirty work that the men were called upon to do at the same rate of pay that they could get in a very pleasant, comfortable, well-lighted plant.

Now, there is a case where, in order to attract skill and retain skill and to provide adequate manpower to turn out the things that the economy needs, a wage increase over the standard was justifiable, even in a controlled economy.

There are many cases where the skills of workers, the sacrifices of workers, the study of workers, should be compensated over and above those who do not have to make those sacrifices or attain those skills or invest in transportation or other costs that add to the cost of living.

But, in the lower wage rates, in the lower wage categories, where they are far below the high standards—and when I say "high," they are not high by the standards set by American authorities like the Department of Labor or like certain economic groups or other organizations—the wages are much below those minimum standards. There is no possibility of disorder or injury to the economy because there the higher wages are justifiably applied.

That is particularly true now, when the tax rate is going down, when the overtime hourly wage is being eliminated, when the tremendous plant and machine production which began to increase during the war is present. It will slip, it will slip vastly, if the loss in the take-home pay is aggravated by a return to the former low wages that were paid in this category.

In view of the fact that there was not any disturbance resulting from the original law—and the disturbances which were had could be charged to current casualties or could be charged to higher-wage plants being subject to unfair competition—in view of the fact that the gradual increase resulted in so much good, it occurs to me that if we would do this at this time, if we would put a floor, as the chairman said, a minimum floor below which we could not go, it would help us economically, it would help us morally, it would help us in competition with other systems of government, other places that now point to the poorly fed, poorly clothed, and poorly housed one-third of our population.

Senator SMITH. You are talking about just the minimum wage now?

Senator MEAD. That is right.

Senator SMITH. And you think that the raising of the minimum wage by this percentage we are talking about would not have an effect for a movement of all wages which would be difficult to deal with?

Senator MEAD. Whether or not it will affect wages all the way up is questionable, and if it does, the sum total of it will have a beneficial effect.

As it is now, you can see in one particular locality where a given industry is found to be paying 75 cents an hour, and that is a common wage rate in that locality. There is no justification for the same industry in some other place to pay 25 or 30 cents.

Senator SMITH. I agree. That is what you will find.

Senator MEAD. Some industries would be paying the minimum permitted by law, while others are already up above and beyond the minimum provided by law; so it would have a direct effect on that category.

Senator SMITH. At what stage of the whole wage picture would you let the legislation stop and leave the rest of it up to collective bargaining? I suppose you want to leave that pretty free?

Senator MEAD. Oh, yes. I think you would have a pretty good standard set-up in the bill. I think that setting up that minimum is all right and safe and that the rest of it, as you say, could be left to the collective-bargaining negotiations between the employer and employees.

Senator SMITH. Well, do you favor that part of the bill which apparently contemplates differentiations above that minimum, to be dealt with administratively by the Administrator?

Senator MEAD. I think that will work out all right.

Senator SMITH. I am afraid it might take away, to some extent, the area which I have always thought should be left to collective bargaining.

Senator MEAD. There is a dual authority there, but I still think it will have a beneficial effect. I treated that in this particular part of my statement which you didn't hear—I read it before you came in,

I said:

> The proposed amendments are designed to extend the wage and hour provisions of the present act, to eliminate oppressive child labor from a large segment of our economy, to redefine the minimum wage in terms more consistent with present-day standards, prices, and technical achievement, and to assure that workers paid more than the minimum will retain the wage differentials justified by their skill and responsibility.

And I read this sentence:

> Essentially, the objective of these amendments is to raise the standard of living of our wage earners and their dependents so that they may be afforded at least a minimum of the necessities of life and an opportunity to live decently and honorably.

I want to see collective bargaining and the rights of the employee as he now knows them retained in their full vigor.

I think that the employer and the employee will be protected in their rights; they will assume their fullest responsibility, working toward a real democracy in industry.

I think it will reduce to a minimum disturbances where clashes occur because of lack of industry or a failure to grant collective bargaining or a revulsion against the rights of democracy in industry.

Senator SMITH. I agree fully to that. I think they should deal across the table, the representatives of labor and the employer; that is certainly the way to deal with the higher brackets.

I am just trying to get in my mind the floor, the point at which to set that floor.

I question a little bit that part of the bill which provides these adjustments by the industry committees. I am afraid we are getting back to the NRA, which I don't think was successful with collective bargaining, although that is a matter of opinion.

Senator MEAD. Yes. In the pre-NRA days there was a large segment of low-wage industry.

Senator SMITH. No doubt about that.

Senator MEAD. That had no collective bargaining whatsoever.

You must remember that great many of our people do not have the privilege of being in unions; we have the sweat-shop laborers. We have to protect them. They cannot protect themselves.

Senator SMITH. I am not sure how we should go about it. Under our democratic system, of course, we ought to encourage, in every possible way, across-the-table agreements and collective bargaining. I think you agree to that.

Senator MEAD. Yes, I do. I think maybe, at the outside, we have some 15,000,000 workers in this country that are organized and have bona fide representatives speaking for them. But, during the war, we had somewhere between 50 and 60 million workers engaged in this country, so that there are a great many, particularly in the lower categories, that have not got around to the state where they are organized. It will come to them eventually, they will be represented by a collective-bargaining unit.

It is very helpful, I think, and it will develop, and as it develops there will be a refinement as is already evident in a great many of the labor groups today. As an example, take the railroad brotherhoods and the railroad shop crafts organizations.

I used to represent one of the unions as a nonpaid representative, in charge of their company relations, wages, security of positions, and

things of that sort. Over the years they developed a very high type of labor statesmanship, and I think it would be very edifying to you to see it in action.

Whenever they have a national wage conference with the management, or even a regional conference, they are guided by these precedents. Of course, there are any number of organizations now, in other fields, that have equally as effective precedents to go by.

I was home not long ago and I sat in with the building trades and the contractors in my town. They had a dinner, and after the dinner they began to discuss things like we would in a committee meeting here. They discussed their wages and hours of service, general working conditions, and it was hard to tell whether this man represented the plumbers' union or the Greater Buffalo Contracting Co.

At the end of a very pleasant meeting, the democracy displayed in that industry caused them to find their names on the dotted line.

Senator SMITH. That is what I believe in encouraging.

Senator MEAD. Yes, but they could not enjoy that, were it not for the fact that they are organized. You must remember that many of them are not organized. If they were all organized, perhaps there would not be any of these low-wage industries.

But there are low-wage industries, and this legislation is very wholesome and I think very necessary, and I think this is the opportune time.

Senator SMITH. What do you say to the proposition that an industry that cannot meet this standard ought to go out of business?

Senator MEAD. I don't know what the answer would be in every case. Of course, a sick industry is sick for any one of many reasons. It may be it is a good case for the Smaller War Plants Corporation to analyze. It may come out that what it needs is better management or better bookkeeping system; it may not necessarily be low wage rates.

Just because you are manufacturing something does not mean that you are making a contribution to American industry. If you are not providing the man who works for you enough to buy your products, if he has got all he can do to buy enough to eat for his children, you are not contributing to American industry.

For instance, I know an industry in one of our Northern States that made a very fine brand of linoleum which is used instead of carpets. There wasn't anyone in that plant that could provide the luxury of using that linoleum for his own house. It occurred to me that that industry was not making a healthy or even an honorable contribution to the industry and economy of our country, because it was living off the wages paid workers in other industries.

Yet it is affording a very unfair competition to everybody engaged in that line of enterprise.

He was unfair for two reasons: first, he was not paying a minimum wage; and second, his workers were not organized.

Senator SMITH. I know, and I think everybody knows, what Mr. Ford demonstrated, that when you paid a worker more than you had to pay, a higher wage, you were moving in the right direction. The Ford worker drives the car, the man that produces the car can afford to buy it, as well as the general consumers.

Senator MEAD. And they renew those cars every 2 or 3 years, not like some others that make one automobile for one family for life.

Senator TUNNELL. Senator, there are two or three things with reference to that differential that, it seems to me, have been developed from the testimony.

One is that if the statute is passed, it will make a floor for the low wage a minimum.

It also provides and gives authority to raise the differential in the higher grades, that is, to keep the same differential in the higher grades of pay, which would result, of course, in what is done directly by the statute.

Now, we hear the suggestion made that perhaps there should not be the statute as to the higher grades of pay, that we should let that be left to collective bargaining. What do you think of that?

Senator MEAD. Well, of course, that would affect rather favorably those that had and enjoyed the privilege of collective bargaining, but it would not have an effect upon those in industries where collective bargaining did not exist.

Senator TUNNELL. In other words, it would not cover more than one-fourth or one-third.

Senator MEAD. There would be a larger number not covered by collective bargaining, in that category, and, therefore, both the collective-bargaining power and the authority contained in this bill would be helpful.

Senator TUNNELL. Yes.

Senator MEAD. You would have a wider field, I mean.

Senator TUNNELL. Then, we have this argument advanced which seems somewhat in contradiction, it seems to me.

That is, if you fix a minimum wage, the remainder of the strata will automatically be raised, so that neither the statute nor the collective bargaining would be necessary. What do you think of that?

Senator MEAD. Do you refer only to those within the scope of the figure set down in the bill, or do you refer to all wage rates?

Senator TUNNELL. All wage rates. In other words, they say, if you raise the minimum——

Senator MEAD. You raise the maximum.

Senator TUNNELL. That is right, that you will raise the maximum.

Senator MEAD. Yes.

Senator TUNNELL. Now, if that is true, is either collective bargaining or the statute necessary for those?

Senator MEAD. I think that both collective bargaining and the statute are necessary because I can see two areas now—for instance, in the industrial area in which I live, neither the bill nor its higher provisions would be applicable because there the low-wage groups are getting easily the maximum you provide. Now, it would not disturb that segment at all, and I think that represents a very substantial segment of American industry all over the country.

There are other places where it would have some effect, but if it did affect the wage rates in the area where they are paying very low wages now—and some of those areas can be found in almost every section of the country—it would only have a tendency to bring them up to the minimum already provided in the higher wage areas, and it would, therefore, do nothing more than to correct a bad situation, and it would not put more pressure where you have higher workers, because that pressure is there now.

Senator TUNNELL. Here is what I am getting at. If the establishment of a minimum wage will automatically raise each of the other grades in the higher-paid groups, then the statute won't particularly damage collective bargaining.

Senator MEAD. Oh, no. It might give collective bargaining in some instances another point with which to debate their case. It might do that, but it will not affect collective bargaining or interfere with its natural, normal course.

Senator TUNNELL. I asked one witness the other day, when he was describing his industry, if it did not mean either a statute or a strike. He said it would.

Senator MEAD. Well, I think, where they are paying low wages and where they are not going to be able to make their proper contribution to our postwar economy, neither a statute nor a strike is going to be very helpful to them or the whole economy of the country.

If they meet minimum requirements without a statute, why, that is fine. If they don't meet it, even with a statute, I think the strike would be better than low, depressing wages.

Senator TUNNELL. But, then, over-all, as Senator Smith has suggested as a last resort, is it not a question of whether a business has a right to, at the expense of underpaid and underfed people, maintain its business?

Senator MEAD. Yes; that is right. That statement is all right. If we tolerate a segment of business to maintain business under conditions that create unhealthy citizens, they are responsible—I think that statement is right.

They are responsible for the results of malnutrition; they accentuate the hardships in communities. I think we are a little bit remiss in our Government unless we treat that situation with the importance that you are treating this question. I think you are right.

Senator TUNNELL. All right, thank you, Senator.

Senator SMITH. I want to ask one more question of the Senator, if I may.

Senator TUNNELL. Go ahead.

Senator SMITH. I can see the logic of the thing and I can see the practical side of it from the standpoint of industry, any industry that is fairly well established, employing large numbers of people.

I am just thinking of a little town where a man may have a little business. He may want to employ somebody, and the person he wants to employ may be willing to work there, rather than come to a big urban center, a metropolis.

But suppose we are making it illegal for him to work there.

Therefore, the question is vitally important, the question of whether we have made it too high, the figure at which we say to him, "You can't employ him for less than this much."

I don't know what that point of pay would be, but some of the witnesses seem to think it would be pretty hard for some of the local industries to meet it.

Senator MEAD. I think that the record, the history—first, of the first rise under NRA; and, second, the minimum-wage law—will reveal very few casualties and will show that the hardships were very small in number.

Senator SMITH. Of course, the minimum-wage law came into effect in 1938, and the effect of it was not felt until we began to get the demand for goods under the war situation.

Due to the war, they had a big market for their goods, and the employer did not need to think of the price pressure, because he could liquidate his product.

Senator MEAD. I don't believe that that was present in 1938 or 1939. I think that the impact of the war demand grew higher in the 1940's. There was much unemployment in 1938 and 1939, so that it was a good test—and the casualties were very few and far between.

Now, the United States Government has a wage policy that does not recognize the fact that there should be a differentiation between the big city and the small, between the metropolis and the little town. They demonstrate that in that they pay their letter carriers the same pay, whether he carries letters in New York or Bethesda, Md.

I think you will find that in some of these communities—I am talking of the small towns—the costs of living are as high as those in the great, big, metropolitan areas. That happens because the smaller town may be more or less exclusive, and commuters fill all of its real estate, and there may be other factors that require a high wage rate to live in those communities.

I think that if a small industry in a small community was only dependent on the economy resulting from forcing small wages, that that would be a very poor contribution to our Nation's economy. I think that perhaps a small industry in a small community, with direct ownership which is also management, might have a much more efficient operation, in that they could give the bigger industries some real competition. But I hope it will not be the competition that results from depressing the wage levels.

Senator SMITH. I want to eliminate that, too. I never have believed that, when a depression comes, we should lower the wages and reduce the standard of living; that seems to me to be totally wrong.

Senator MEAD. But, to go from the average wage rates we now find in industry during the war, to those provided in the bill, there is a very, very slight increase. In fact, I don't believe that we will be substantially affecting any of the industrial centers at all. This is the finest time that I know of to apply it.

Senator SMITH. We are intensely interested in this, because we are writing a new chapter in our whole economy, we are turning a new page.

Senator MEAD. I want to see that our system of government and economy is the best in the world. To do that, we have to treat this one-third at the bottom with particular care, and I think that you are doing a great job and I wish to commend you for it.

Senator TUNNELL. Thank you, Senator Mead.

Senator MEAD. Thank you, Mr. Chairman.

TESTIMONY OF SOLOMON BARKIN, CHAIRMAN, CIO COMMITTEE ON REVISION OF WAGE AND HOUR LAW

Mr. BARKIN. Mr. Chairman and members of the committee, I greatly appreciate this opportunity to deal with one problem which the various witnesses have not had much opportunity to discuss.

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I am not today appearing only on behalf of the CIO. I would like to qualify myself at this time not only as representing labor but as a sort of an expert on this subject. I can tell you a little of my own personal experience with it which permits me to speak a lot more fully than merely as an advocate of a labor organization—more as a student.

I was Assistant Director of the NRA Labor Advisory Board.

I was then asked by the Committee on Industrial Analysis, which was the body appointed by the President of the United States in 1936 and 1937 to write a final report or summation of experience of the NRA with its labor provisions.

As a result, I produced a survey which was adopted by that committee. That committee consisted of Mr. William H. Davis as chairman; Professor Clark of Columbia University; Mr. Mead, an industrialist; and Mr. Harrison, a railroad labor union official.

Since that time, since 1937, I have been associated with the Textile Union as its economist.

The textile industry is a highly competitive industry. We are constantly concerned about what somebody else pays and what we pay, what the wages are in unionized industries and what the wages are in nonunion industries—or, more directly, with the rates in different plants within the same industry.

I have written on a number of occasions about this problem. One of my writings is called Wage Stabilization by Union Contract.

Now, by reason of that experience which I have had, I shall unfold as well as I can and try to resolve the problems which you have raised in the course of these hearings, these problems of minimum wages and wages above the minimum.

In the first place, I would like to make this clear, on behalf of the CIO: namely, that we do not intend that section 8, which provides for industry committees to define reasonable job classification and to recommend minimum wage rates for such classification—we do not intend that that particular provision would be a mandatory one.

In other words, we do not believe that it is necessary to require that each committee which is established must prepare such wage rates above the minimum.

There are many industries which may not be prepared for it and where the parties within the industry may not desire to do so. I think that, with experience, there will be a more widespread acceptance of the problems which I will attempt to illustrate.

This technique, I would like to say, is not peculiar to the United States. We have not discovered it. Practically every democratic country in the world has this type of provision on the statute books.

I will discuss that later; but I would like to make this clear, that we do not consider this bill as requiring a mandatory recommendation for rates above the minimum.

In the second place, we do not believe that this particular provision makes it incumbent upon committees to recommend a full schedule of wages. In fact, we think of this as a peg-point provision. In other words, that this committee is, in effect, to propose rates, key rates, not a wage scale.

For example, in the textile industry as an illustration, we have—well, thousands of jobs. But, very interestingly, the War Labor Board, when it offered the textile decision, only found it necessary

to prescribe five rates, a rate for five distinct jobs, and after it prescribed these five rates, it then said—and I am quoting from the order—

> The wage rates for job classifications not listed above shall be bargained between the parties in proper relation to the wage rates for the designated key occupations.

Consequently, to use the language of the War Labor Board in its February 20 memorandum to the President of the United States, when he asked them what we should do about wage policy after the war, they said they recommended this peg-point proposal.

They said that these key rates will be over-all, a framework within which all intermediate rates would have to be established in balance with each other and the peg-points.

I am merely pointing this out to show that we are not conceiving of this as a complete schedule of rates or as a mandatory requirement upon a committee or board, and that we may have to force that kind of a recommendation upon an industry committee if it does not recommend so.

I would like to say immediately that this is not the replacement of collective bargaining but an implementation of collective bargaining and a very necessary one, in a most highly competitive industry.

It is necessary in these competitive industries because this type of legislation will do this: It will deal with industries which are highly competitive and greatly concerned with what it costs the other man to produce the commodity. Consequently, the employers in such industries want competitive wage-rate stability.

This is not labor-cost stability, because that is up to management. You may have one plant that uses labor more efficiently than another one; one management will train workers more efficiently than another.

But this stability we are speaking of is secured by reason of the fact that you have a uniform rate of pay for a job, and it is up to management to utilize that worker as efficiently as possible. Those are the conceptions, those are the ideas, those are the impulses within it.

The first thing I would like to call your attention to is that we have had extensive experience with this problem in the United States, in the NRA.

I would like to have placed in the record this copy I have had reproduced of the Report of the President's Committee of Industrial Analysis of February 17, 1937. This is a verbatim report, a unanimous report of those public-minded citizens, Mr. William Davis, whose name has since become well known; Prof. Clark, of Columbia University, who is probably the dean of American economists; Mr. Mead, who is an industrialist and who represented industry on the National War Labor Board; and Mr. Harrison, a railroad union executive.

(The report appears on p. 792.)

Mr. BARKIN. I would like to call your attention to selected sentences. This section, by the way, that I have had reproduced, deals with the regulation of wages above the minimum. This is a complete summary of NRA; it is a summary of these studies which were made. We do not have to review those studies; this is a summary of them.

On the second page, you will notice a paragraph which says:

> Early opposition of NRA to the wage schedule plan was gradually modified, until in the end the policy was to approve such schedules where they had been

arrived at by collective bargaining, provided they did not include an excessive number of basing rates.

In other words, in the NRA there was widespread opposition to the proposal from the Administration at the beginning; but as they gained experience with this proposal, they found it to be very practical.

Senator SMITH. We had presented here, Mr. Barkin, by one of the witnesses, a book of classifications of jobs, which was appalling; it was as thick as that [indicating]. It looked as if the Labor Department was thinking ahead and classifying every possible job.

Mr. BARKIN. The book you saw was the Manual of Jobs, gotten out by the United States Employment Service for utilization by the Employment Office workers in order to help people find jobs. That book was begun in the early days of 1933, and it took them well on to about 1939 to develop.

Senator SMITH. I think it well should have.

Mr. BARKIN. That was because they analyzed the jobs by personal attributes, by skills, by transferability of one person to another job, and the possibilities of upgrading and downgrading from the job.

I think there was a reference here to it. I think it was a completely mischievous reference, because it begs this question; it does not intend to honestly meet the problem.

To illustrate what I mean: We have what I am offering here—that in the textile industries, with hundreds and hundreds of occupations, the War Labor Board found that all you have to do is to take the five jobs and the rest could be done. As a matter of fact, we have done the rest.

Senator SMITH. I am wondering whether the Labor Department, the Wage and Hour Administrator, is going to be governed by what you suggest—what the War Labor Board did—that only five classifications would be necessary.

Mr. BARKIN. I think you can express your intent very clearly in your reports so that there will be no general misunderstanding about it. We do not believe that this legislation, in its present state, should undertake that job.

Senator SMITH. No; I don't think so.

Mr. BARKIN. I don't think we are prepared for just that kind of legislation.

I want to indicate to you some of the foreign experiences, which are very interesting to show the practicality of it.

You asked Senator Mead as to whether the wages will be sustained about the minimum. It might be interesting for me to read this one paragraph:

> It may be said that, on the whole, the wider the spread in wages among employees before the NRA, the smaller was the rate of increase in hourly rates to those receiving the higher hourly earnings. The greater wage increases were received by those below or close to the minimum.

It is a very important fact that that was one of the problems which was dealt with under the NRA. The experience we had was that wages above the minimum were not maintained during the rise to the minimum. The fact is that in many industries the minimum would become the maximum—not totally speaking, but there was that general trend. [Reading:]

> The wage bill of most industries was raised, though hardly to the degree expected by NRA. The fair competition generally expected to develop from uniform wage standards was not fully achieved, since real stabilization of wage rates had not been attained.

That was because they did not have that particular protection which this special 8 (c) provision would make. Above that, on the same page, page 6, on line 2:

> Reports on these adjustments from various industries and from NRA State compliance offices indicate that there were many protests against the minimum becoming the maximum wage.

Now, on page 7 there is a discussion of experience with these wage-basing points and schedules. It is interesting to note that after this discussion they concluded, at the bottom of page 8:

> These wage schedule plans were applied in NRA principally to industries largely employing specialized skilled workers. Where organization of labor and collective bargaining existed, the prob'em of developing an occupational classification, which otherwise appeared to be insurmountable, was found capable of solution.
>
> Experience showed that the Government could successfully undertake the enforcement of provisions for the protection of the wages of employees above the minimum, where the provisions were the result of the joint negotiations of employer and employee groups, where the terms were satisfactory to each, and where both groups undertook the enforcement of the provisions. The techniques employed in the motion-picture and construction industries provided valuable precedents for the development on a national scale of adequate methods of protection. Where occupations were not sufficiently standardized, the basing-point system provided a simple method of approach with which to begin a more far-reaching structure of control. Definite provision for the protection of the wages of various occupational groups was shown to be necessary for a long-term program of stabilizing labor cost.

Now, only 55 out of the five-hundred-some-odd industries codified under the NRA had this type of provision.

Lest there be any misapprehension whether there are only CIO unions who are interested in this, or only certain types of unions, you might be interested to know that some of the industry groups most keenly interested in this type of provision during the NRA period were the construction industry, the trucking industry, the AFL needle-trades industry, the clay products industry.

So that you can see that this particular problem in the desire for this technique is peculiarly present in the highly competitive industries.

As a matter of fact, under the building trades department of the A. F. of L., in the report which was issued on labor, the codified construction industry endorsed the peculiar technique which was developed there.

That technique provided for the adoption of the union scale where the union-organized labor represented the predominant proportion of the people in that area, provided that that scale become the going scale. The parties had to provide that they represented the majority of the people.

We therefore think that the NRA experience, which was the first large-scale experience with basic points or peg rates, indicated the feasibility of it.

Secondly, we think that it shows that, insofar as the problem of stabilizing labor costs is concerned—and that concern is widespread in a number of highly competitive industries—it can be effective through the basic point method without encumbering or making the

administrative process so difficult as to be an excessive challenge to the Government process.

We would not want that; because if it became too burdensome to Government, then it would be an impossible attempt, and it would discredit this type of legislation.

The demand for this exists among employers as well as among unions. As a matter of fact, even under the NRA the codes were, in all cases, initiated by the employer, and the employer's assent was required.

The second major American body of experience in this field is the War Labor Board. Under the War Labor Board you did get a tremendous detailed expansion of the methods of establishing individual rates, even more numerous than that book which was presented here which you mentioned, Senator Smith. I have never seen stacked up the full list of job rates which had been developed by the War Labor Board. I presume it would be a bit of a challenge to any truck to handle it.

But that kind of legislation is not the kind that we are here considering. We are here proposing that these committees be empowered to recommend this type of legislation, legislation of key peg rates.

As a matter of fact, as I indicated in my previous appearance here in the brief which I filed, it has been recommended by the War Labor Board itself. In that brief I quote from the War Labor Board's own recommendation of February 12, 1945, which I shall not reread.

They recommended this particular principle as being a necessary method for the postwar period. They indicate [reading]:

> The establishment of these minima throughout industry generally and the consequent revision of ill-defined and unbalanced wage structures would provide a substantial degree of protection against the deflation of straight-time hourly earnings in the reconversion period.

They were concerned with the fact that there is always tendency for the maximum to become the minimum.

It was because they saw that thing that they ordered in the textile industry and in many other industries reevaluation of job rates because they were clustered. The reason they established these five peg points in this industry is that they found the wages clustered so completely at the minimum that the industry could not hire anybody.

We had cases in many establishments where the average of the plant was no more than 3 or 4 cents above the minimum. It was intended to correct just that kind of condition where there is that clustering.

Senator SMITH. Why could not that have been covered by collective bargaining?

Mr. BARKIN. We can. What this kind of legislation does is to reach out into those ranges of the industry where collective bargaining has not been established, or to those industries where public policy dictates that that kind of clustering should not be continued.

As an example, Senator Mead mentioned the foundry industry. You could not hire people for the foundry industry unless you set a rate attractive enough. You would hire people in our industry, but you couldn't keep those people in the industry after they were there; they started at 50 cents, and they went up to 55 cents, and that was the ceiling.

In order to get the textile production out for the war effort, it was the dictates of public policy that they establish a higher rate so that they could keep workers.

If you were a skilled worker, you would not take a job at some of the places. In the South, for loom fixing, they were getting, or trying to get, in some plants, those loom fixers for 65 cents. It went as low as 65 cents. Well, you couldn't hire loom fixers at that rate, and that stopped war production.

At the present time, as you have seen from public releases from the United States Employment Service, one of the difficulties in getting reconversion going is that more than 60 percent of the jobs on the so-called open jobs which are advertised are jobs well under 70 cents an hour, some of them very much lower.

Those jobs do not appear as adequate rewards for the skilled worker.

So, you have several conditions besides unfair competition for the people within an industry. This legislation is legislation for a particular industry—the industry committee does not reach beyond its own definition. You will permit the implementation of public policy where it is necessary in order to correct unsound wage structures within the industry.

Senator SMITH. Can I make a suggestion there?

Mr. BARKIN. Yes.

Senator SMITH. I have a feeling that in this presentation—which I think you are making very ably—you are suggesting to us to change the whole philosophy of the bill.

To my mind, the philosophy of the bill was to protect the people in the lowest ranks from substandard living conditions. It is not to control the whole wage structure.

I think you are suggesting a Government set-up where you are substituting your industry committees for legislation, for the ordinary interchange of management and labor, for adjusting internal affairs.

Several thousand concerns have a different conception. For myself, I don't see why that is not an area for collective bargaining, for the working out between the leaders of industry and labor.

I am afraid that if we make a rigid plan like this, you are going to eliminate the free American system of determining these things. You are geting too much in the Government-control area in the wage structure.

That is what troubles me. We did not start with that. We started with the idea of protecting the marginal fellow and from there up. We want to control it in the free American way. Am I wrong in my understanding of your position?

Mr. BARKIN. I think we are introducing a new principle in this legislation. That is what I think.

Senator SMITH. I am glad to hear it. But I wonder here if you are not putting something in here which does not belong in the minimum wage philosophy.

Mr. BARKIN. Correct. We are proposing that the needs are now such that we can add a very constructive addition. I think we can add a provision which will permit industry committees to recommend to the Administrator the adoption of peg point rates in industry, par-

ticularly those industries of a competitive nature. There that kind of legislation would facilitate and stabilize competitive relations.

Senator SMITH. I think you are giving enormous authority to this administrator. I was involved in the NRA days and I had a lot to do with helping to write the codes. I think that they fell down there; too much control in the middle and not enough freedom in negotiations. I think that both labor and industry felt that the NRA was a failure.

Mr. BARKIN. My judgment in the matter of American opinion about the NRA is that what was objected to was the trade practice and business control; but I think they found that the labor control was completely constructive and did contribute greatly to our economy.

I am saying this: That this type of provision can become a major contribution to the stability of competitive relations within the country. I know this, that when you get a large industry—and I am going to have to borrow from my experience because I have lived with the the textile industry—I know that at the present time, as a result of this action of the War Labor Board, if I go into any New England mill—any New England mill—I know if I select a specific job, I shall not find a rate below the actual industry rate for that job. They are all paying at least that rate.

It was accepted in a very simple manner. The War Labor Board gave us these peg points. We, then, on the basis of those directive guide posts, negotiated wage rates—not with the Government but among ourselves—we negotiated a complete scale, not seven rates, because we have had to negotiate over 100 rates, but using these seven rates as a base.

We then could try to define the proper relationship of all other rates.

In New England we did not have to undertake such a major operation because most of the rates were quite satisfactory, and we only had to alter some of them.

In the South, interestingly enough, there had never been a wage structure, anything like a wage structure. With these six or seven points that the War Labor Board established—I believe it is six points—we have now negotiated a complete new wage scale. We reevaluated every job, not through the War Labor Board, but through the collective bargaining process.

Senator SMITH. Those are going to stick, I take it?

Mr. BARKIN. Correct. But what we needed in order to correct that condition was the force and power and suggestion which these guideposts, these rates, these key rates, furnished us.

Senator SMITH. I think you will find, Mr. Barkin, if you set this up, there will be a tendency for the Administrator to set every rate in the whole schedule. I think you will be cramping the style of collective bargaining groups and limiting the differences that are natural and proper and helpful in different industries in groping their way toward the right structure.

I think that you are giving too much power to the Government and I think that you will find the people who have the decisions to make, the labor unions, will be the first to resent it.

Mr. BARKIN. This Administrator has no power to set the rates himself.

Senator SMITH. He can set up the organization, though.

Mr. BARKIN. An industry committee must make those recommendations.

Senator SMITH. But if he doesn't like the way one committee acts, he can throw it out and appoint another committee. So, in my judgment, he has the last say.

Mr. BARKIN. That may be a potential possibility.

Senator SMITH. I think it is imminent in the bill.

Mr. BARKIN. But he has never exercised it in the years in which this law has been administered. He has always taken the recommendations of the committee.

Secondly, we feel sure, by reason of the fact that it is a tripartite committee, and that it must be a representative committee that the interests of the industry as a whole will be very well considered.

I participated in a number of those hearings as a witness before them, and I offered data before them. I know the fairness with which they proceed, and I don't fear the Administrator because the Administrator, in most cases, is merely a rubber stamp who examines the committee's recommendations in the light of the requirements of the act, rather than intiating any of the proposals himself.

As a matter of fact, he has no power, no access to the committee. The normal procedure of the committee is to be convoked, instructed as to its prerogatives, its rights, and limitations, and then the administrative officials vanish from that room.

They could aid by way of statistics, but the chairman is not associated with the administration; the members are not asscciated with the administration, and if the labor and industry members of that committee are determined not to have peg rates, there is nothing that that Administrator can do to compel them to accept.

Senator SMITH. But is this not really a Federal move back to the old NRA procedure which I understood you to say was not desired by large segments of both labor and industry? They felt that there was too much fixing of wages by Governmental fiat.

Mr. BARKIN. I think that the attitude concerning the NRA was that the trades practice provisions were restrictive and ill-conceived in many cases. These provisions were born out of a desire to stop the depression.

However, with regard to the labor provisions, there will be very few persons who would doubt the constructive value or the merit of the provisions which were adopted.

I would like to call your attention to one further fact which is very important and which will illustrate the notion that this is really in harmony with the democratic procedure.

I have with me here a survey which was made of other countries indicating this same type of practice, in these other countries. The article is called The Extension of Collective Bargaining Agreements To Cover Entire Trades and Industries.

This report surveys the picture in each country. Canada has this same type of provision. There are many provinces in the Dominion of Canada, which provides that the union contract, if it is representative of an area, shall become the law, or the governing regulation for that area.

Senator SMITH. Do you think that there is any other country in the world which has the same freedom as in this country? Is there any one of them that you want to copy on this?

Mr. BARKIN. Yes. This next case, I think, would meet your criteria.

Great Britain has a freer process of collective bargaining than the United States. As a matter of fact, they were so free they did not even have to reduce their contracts to writing. The law and the understanding was sufficient.

In the last session of Parliament they adopted a bill which was called the wages council bill, which did this:

It obligated the employer to observe the terms and conditions of employment not less favorable than those contained in the approved collective-bargaining contract for that trade or industry, as approved by the Minister of Labor for the British Government.

I am illustrating again the fact that this is not an innovation peculiar to this country. It is a trend in labor legislation which is promoted by the desire to create full stability within an industry where there are terms of employment already established, or which will be evolved through the collective-bargaining process.

It is a technique intended to aid and facilitate employment and to protect the collective-bargaining process, rather than supplant it.

The very fact that the unions which are interested in this provision are particularly the unions which are most concerned with competitive industry indicates that they do not fear the effect of this type of legislation or this power upon collective bargaining. On the contrary they would recommend it.

As an illustration, I was bargaining—to use that term—only the other day with an employer from the State of Albama, in the city of Gadsden. He makes three products, cotton yarn, cotton rugs, and belting. His concern was, "If I signed this contract, what are you going to do about my competitors?"

And he laid down on the table a list of the companies he was concerned about.

I said, very facetiously, "Do you want any of my people to help you organize those plants you are concerned about, and eliminate competition as a result of the lower wage rates in those other plants?"

Senator SMITH. Wouldn't the minimum wage law take care of that?

Mr. BARKIN. No, Senator; because his wages range from the minimum to 50 or 60 cents above it. In the South we now have a differential in the cotton industry of 45 cents from the lowest rate to the top rate. So that you need, in order to create full stability, a competitive stability, you need at least a few additional peg rates.

Senator SMITH. Wouldn't the competition for labor take care of that?

Mr. BARKIN. No. Competition for labor is a very peculiar sort of phenomenon. It has never been fully described in the books. Workers' competition never forces wages up.

During the war we found very many illustrations, very interesting illustrations, of that.

In certain industries in the same communities we had low wages—still have low wages—that is why we need this law. Yet, in the same community comparable jobs, comparable work, will be paid 10 cents, 20 cents, or 30 cents higher. The people accept those lower-paid jobs. People do not move very quickly. There is a certain reluctance of people to move, even if there were a higher wage rate available someplace else. That was very fortunate during the war, that many people will not move. Otherwise, many of our essential war industries would have been completely undermanned.

Senator SMITH. I can see where, under war conditions, in order to speed up production, we can do what you are suggesting. But, in order to get back to a free competitive system, I am not convinced that you are not going the wrong way.

Mr. BARKIN. My answer there, Senator Smith, is this. We know that one of the destructive and costly experiences in normal times is destructive price and wage competition.

The industries which suffer from such competition welcome unionization and extensive unionization, for one reason—that is, the people who are industry-minded—because it aids in stabilizing that industry.

There are numerous industries in this country which have been saved from bankruptcy and from complete collapse by the fact that the union is so strong in that industry that it can enforce uniform wage rates, uniform terms of employment.

This legislation would aid in bringing about complete stabilization within an industry, insofar as the labor rates are concerned; it would tend to blanket over the industry the rates which are agreed upon already through the collective-bargaining process, and make them the going rate for the industry and permit the parties within the plant to negotiate additional rates—that is, the rates which are not included within the peg points.

You cannot legislate a full wage scale——

Senator SMITH. That is what I am trying to avoid.

Mr. BARKIN. That would be unwise and impractical. You cannot legislate a wage scale which would take care of every single employee in a plant.

Senator SMITH. That is what Mr. Hitler did.

Mr. BARKIN. Well, he did more.

Senator SMITH. Yes.

Mr. BARKIN. He made the employer pay, even though an employee did not work, if that man happened to serve some particular purpose of the Nazi Party.

But what we are asking is merely the establishment of a structure of rates within the industry which would be uniform so that the parties could more securely negotiate with that term of reference and it would help them both to stabilize and to correct the wage scales of plants where the rates tend to cluster around the minimum.

Senator SMITH. Are you willing to put into the law the five pegs and no more?

Mr. BARKIN. We would be willing to consider some such limitation.

Senator SMITH. It seems to me that there is a danger in too many pegs, too many classifications, too many differentials, too much covering by legislation. Do you think we should say 5 pegs or 10 pegs, or whatever it might be?

Mr. BARKIN. We would be glad to have the legislation or the report here of the intent of Congress clearly express it so that the purpose which I have just expressed might be made clear.

Senator SMITH. But you are aware, of course, that that is a step away beyond the minimum wage philosophy?

Mr. BARKIN. Correct. This is an addition to the present law. It is a purpose not now encompassed within the law. We are proposing that the proper thing is for the proposed bill to now include a provision which would aid in stabilizing the wage structures of these industries.

Senator SMITH. Well, I think you have made a very good presentation of the philosophy. The question remains whether we want to add that philosophy to the present thing we are driving at, which is a proper minimum wage to take care of the standard of living of the lowest paid section of our people. That is the first purpose of this bill.

Mr. BARKIN. Yes; that is the first purpose. We do, however, hope that your committee will approve the proposed bill, and recommend it, because we believe it would have a very constructive influence upon competitive relations.

Senator SMITH. Don't you believe that there would be opposition from labor and industry, both?

Mr. BARKIN. I don't believe there would be any real opposition from labor. One statement was filed with your committee by a representative of the American Federation of Labor, but I believe that the proposal which we have made and the explanation of this proposal would completely meet this particular objection.

You had a representative of one American Federation of Labor union, the International Ladies Garment Workers Union, which approved this legislation.

The reason for the difference here is largely due to the degree of emphasis placed upon the necessity of stabilizing competitive relations in industry.

The building trades department of the A. F. of L., if they were offered this proposal in terms similar to those which existed during the NRA, we believe would find it very desirable.

Secondly, the building trades department could not be covered by this legislation because it is all intrastate commerce.

The industries most affected are highly competitive industries. They are the industries which are primarily engaged in consumer goods, products, the soft consumer goods products, not the durable goods products. They are the industries which have felt the need for such stabilization.

Industrial opposition is derived primarily from the unorganized industries and from the durable goods industries, and from industries that are completely opposed to any type of legislation on any subject.

They are the industries that would benefit from such legislation. I feel certain in saying that. The best proof of that is that during the NRA, 55 industries voluntarily recommended and had approved for their industries such provisions. Those industries included the apparel industry, the trucking, the construction industries, the bituminous coal industry, the printing industry, radio broadcasting, and numerous others. The fact is, that the bituminous coal industry was the one industry which most extensively took advantage of the NIRA to adopt a legislated provision which established uniform labor terms.

Senator SMITH. Do you think that if those industries got together, within the industry, and made an agreement with the unions involved in the industry that that would violate the Sherman Antitrust Act?

Mr. BARKIN. No.

Senator SMITH. Why would it not be best to go at it in such a manner so that it would not affect the industries that do not want it, rather than write into the law something which will tell everybody to do it? We have had a great deal of evidence about this from industries that do not want it.

Mr. BARKIN. Well, this legislation will reach the companies within an industry which are not now complying, or will not in the future comply with the going rate standards within an industry.

Under the Government Contracts Act, the Public Contracts Act, insofar as it affects construction, the Government now does set rates for each community for public construction. That is a very similar type of legislation, except that it affects only Government contracts. That type of wage legislation affects skilled and semiskilled workers, primarily, if not exclusively.

We hope that it will contribute very substantially to the promotion of competitive stability in highly competitive industries and that is why we want to make it very clear that we are not proposing or favoring legislation and would not like to interpret the present bill as making the adoption of such peg points mandatory in any case.

Senator TUNNELL. You want the law to state that they may fix those rates?

Mr. BARKIN. May recommend those rates.

Senator TUNNELL. May recommend those rates.

Mr. BARKIN. May recommend such rates to the Administrator for his approval.

Senator TUNNELL. How does it read now?

Mr. BARKIN. Whether it is mandatory or permissive, it was voluntary——

Senator SMITH. As I read it now, I thought it was mandatory. When I read it, I felt that there was no limit to the peg points either.

Mr. BARKIN. Our people were telling me that it was voluntary, that provision, but apparently the overwhelming belief of legal opinion is to the effect it is compulsory and mandatory.

I, therefore, appeared to make it clear, insofar as we are concerned, that we think it ought to be a voluntary and permissive act, rather than a mandatory provision. We would very much like the language to make it clear that it is a permissive act of that committee.

Senator SMITH. Your unions could not strike if they did not like the pegs that were set?

Mr. BARKIN. We would not have to object to the peg points set there, because we would still have the recourse of collective bargaining, to set peg rates above those, if we found it necessary and desirable, and if we could come to an agreement.

This sets a floor upon certain peg points to permit plants which are not in collective bargaining to develop and balance its wage scale within those industries at such levels as to promote a stable wage in the industry.

Senator SMITH. I am very grateful to you, Mr. Barkin, for your very fine and clear elucidation of this matter. But I think you have

put to this committee a decision as to whether to enlarge the philosophy of this legislation.

Mr. BARKIN. Correct.

Senator SMITH. I think that is a correct statement. I am always glad to hear you.

Senator TUNNELL. Your presentation was very clear, Mr. Barkin.

Senator SMITH. We know what he is driving at.

Senator TUNNELL. We know what he wants.

Mr. BARKIN. If we can be of any further help on this matter, this type of legislation, we will always be anxious to serve this committee.

We represent not only ourselves, but millions of workers who are vitally interested in this legislation. We believe there is no piece of legislation at the present time which will facilitate reconversion as much as this one will.

I heard Senator McMahon say the other day on the floor of the Senate that the atomic bomb was the most important single episode in the history of our civilization since the Birth of Christ. I think there is no more important legislation in guiding reconverson than this one.

Senator SMITH. These questions always involve human relations one way or another, whether they are dealing with labor or the atomic bomb—it is a matter of human relations.

Mr. BARKIN. I think I can go further. I think I will agree with what Senator Mead said. He said that there are certain inviolate rights which our system should grant and one of them is the right to work for a wage which is enough to support a man at least above the emergency level of existence.

I think that this legislation is the most significant we have. It will prove to the world at large that our system means more than merely work, it means work at a decent wage.

It means that the four freedoms are being kept in mind, that freedom from want is definitely being implemented.

There is great world strife now in many parts of the world where people are suspicious and unsettled, where the drive for independence is on.

We have got to show in our own way that we remember that one of the objectives of our war effort was freedom from want, and this is one of the best ways of providing it.

Senator TUNNELL. Thank you, Mr. Barkin.

(The report of the President's Committee of Industrial Analysis to the President of the United States, February 17, 1937, ch. VIII, Regulation of Wages, was submitted by Mr. Barkin, and is as follows:)

REPORT OF THE PRESIDENT'S COMMITTEE OF INDUSTRIAL ANALYSIS TO THE PRESIDENT OF THE UNITED STATES, FEBRUARY 17, 1937

CHAPTER VIII, REGULATION OF WAGES

Protection for wages above the minimum

The NRA code provisions applicable to wages of employees receiving more than the minimum evolved primarily out of the hope (1) of effecting at least the maintenance, and possibly the increase, of the weekly wages of employees receiving more than the minimum but subject to a reduction in hours, and (2) of stabilizing wage rates.

Management was not fully prepared to accept the principle of protection and regulation by codes of wages above the minimum, but it was adopted by the cotton textile industry at the insistence of the administration, and the principle was confirmed by its adoption in the NRA. Inasmuch as the NRA provision for the adjustment of wages[1] permitted wide latitude in its interpretation, only 20 industries asked for revision of this provision.

Only 28 of the first 100 approved codes contained a provision for the adjustment of wages above the minimum in their first draft, but all but 7 of the first 100 codes had some such provision in the final approved code. Only 13 codes in all failed to provide for the protection of the wages of employees above the minimum.

Despite agreement upon the principle, there was considerable controversy as to the form of code provisions intended to protect wages above the minimum. The controversy centered about the merits of general formula requiring employers to increase the pay of such employees by an equitable adjustment, versus a more definite plan specifying a basing point for the proposed adjustment, or including expressly a wage schedule for different occupational groups.

Early opposition of NRA to the wage schedule plan was gradually modified, until in the end the policy was to approve such schedules where they had been arrived at by collective bargaining, provided they did not include an excessive number of basing rates. It was recognized by the Advisory Council that the specific regulations of wages above the minimum might be carried to uneconomic lengths, and that this should be guarded against, but when the conditions specified with respect to wage schedules were met, such code provisions would be approved.

On the whole, however, the principal reliance of NRA, in protecting wages above the minimum, was upon the less specific code provisions of the type included in the NRA. These took different forms, and tended to become more and more specific until in the end policy very definitely favored, among this type of provisions, those forms which defined the degree of upward adjustment of wages above the minimum with relation to the total reduction of weekly work hours.

A tabulation of the provisions concerning wages above the minimum shows that only 55 out of the total of 578 codes established some type of wage schedule or basing-point system. Most of these industries, even if not wholly organized, contained large segments of union workers. The other 523 codes had general formulas for the adjustment of wages. These varied in definiteness and in the discretion which they allowed the individual employer. The largest group of codes, 189, had the least precise provision, that of equitable adjustment of wages in view of the shortening of hours. A second group of 79 provided for the maintenance of exact or equitable differentials among occupations. The most definite general formula was contained in 162 codes which required the full, or a defined partial, maintenance of weekly earnings. There were 13 codes which contained no provision relative to the adjustment of wages above the minimum, and in 80 codes such provision as they contained was not mandatory.

Dissatisfaction with the inadequacy and impossibility of enforcement of proposals based on such general formula for wage adjustments above the minimum led to repeated efforts to find some new solution. Administration officials were seeking some method of wage adjustment which would meet with the approval of employers and would not be rigid, and which would not be too exacting in its demands on compliance machinery or on the administration, and yet would protect the wages of employees above the minimum against diminution by the required reduction in weekly hours.

Evidence of the failings of the general formulas for wage adjustments above the minimum came from labor, administrative officials, and compliance officials. Compliance officers reported to the NRA that "there is widespread dissatisfaction among workers based on the feeling that adjustments to those earning more than the minimum have not been made, and that consequently there is a definite tendency for the minimum wage to become the maximum." These experiences strengthened the desire for a complete revision of these code provisions and the development of a more adequate method of protection. NRA increasingly realized the shortcomings of the general-adjustment clause and attempted to develop and apply more precise clauses. These efforts inspired no real confidence in an adequate solution.

The administration finally faced two points of view. Employers preferred the more generalized provisions to specific minimum wages or rates of increase. Labor groups protested the generalized provisions as inadequate, easy to evade,

[1] (7) Not to reduce the compensation for employment now in excess of the minimum wages hereby agreed to (notwithstanding that the hours worked in such employment may be hereby reduced) and to increase the pay for such employment by an equitable adjustment of all pay schedules.

unenforceable, difficult to administer, and insufficient to protect the weekly wage. They believed that wage schedules and basing points negotiated through collective bargaining met the objectives best of all, although they opposed extensive application of these methods in industries which are not effectively unionized.

The administration accepted basing points and wage schedules for industries in which collective bargaining was practiced or in industries were labor and management could be induced to develop the terms of employment in this manner. As for industries which had not developed a collective-bargaining technique, NRA was still completely baffled as to the means of attaining its objectives. It was not able to develop a practical, precise, and definite equitable formula for the adjustment of wages to offset the reduction in weekly hours which could be enforced and would have the desired effects and still have management's assent and labor's approval.

The wage adjustment principle, even though not strictly applied, did, however, serve a significant role in NRA wage policy. It proclaimed that the NRA did not favor a share-the-work movement, and that wage increases were required to compensate at least partially for the reduction in hours. Although the amount of increase in hourly rates was often not specifically declared, and thus caused wide variations in interpretations as to the required percentages of increase, the hourly rates of those receiving wages above the minimum did in general increase during the NRA period. The amount of increase differed greatly because of the varying pressures of code provisions, employee expectations, rising trends in prices and wages, and expanding labor organization. It may be said that, on the whole, the wider the spread in wages among employees before the NRA, the smaller was the rate of increase in houring rates to those receiving the higher hourly earnings. The greater wage increases were received by those below or close to the minimum. While the hourly earnings of employees above the minimum were generally raised, by no means all employees had their total earnings maintained despite the reduction in hours of work, while a very small percentage actually had their hourly rates reduced. The more definite the code provision was, the greater was the likelihood that the amount of increase would maintain weekly earnings. But even so, the range of adjustment was wide and varied. There was consequently great employee dissatisfaction, as expectations were not realized and resentment against reduction of weekly earnings became widespread. Reports on these adjustments from various industries and from NRA State compliance offices indicate that there were many protests against the minimum becoming the maximum wage. Protests were also heard against reductions in weekly earnings and against the abuses and evasions brought about through such practices as changing jobs, discharging employees, or hiring new employees at the minimum or subminimum rate.

The wage bill of most industries was raised, though hardly to the degree expected by NRA. The fair competition generally expected to develop from uniform wage standards was not fully achieved, since real stabilization of wage rates had not been attained. Individual industries increasingly sought by new provisions to stabilize wage rates at the new levels. The majority of the industries, however, particularly those industrially inactive, were still seriously opposed to any provision which might lead to governmental supervision of wages above the minimum and to increases in their total wage bill.

The general formulae for wage adjustments were essentially transitional devices intended to meet the problem of maintaining weekly wages in face of the reduction in weekly hours. They were meant to guide in the readjustment of wage rates in such a manner as to yield a greater total labor income, and a new level of wages for the various occupations was expected to result. Implicitly, it was hoped that the new wage standards would become the prevailing levels. But the fact that these new wage rates were nowhere specifically defined left opportunity for evasion by hiring new employees at lower rates, or by discharging old employees to be replaced by new employees who might be so hired, or by setting up new establishments with lower wage levels. Such lack of definition also tended to produce an unstable wage scale and to strengthen such industrial trends as migration to lower wage areas.

Much of the dilemma prevailing in NRA ranks resulted from the early failure to recognize that a more definite method of controlling wages above the minimum was required for a permanent system of regulation intended to increase labor income, to foster fair competition and industrial stability, and to promote collective bargaining.

Experience with wage basing points and schedules

Essentially a provision for wage basing points and schedules assumed that there would be permanent governmental control and supervision of these wages for at least two major purposes: The stabilization of the wage structure to achieve greater uniformity of labor prices, and the protection and increase of the worker's wage income. In some cases there was a third purpose: The development and extension of collective bargaining within industry. Most of the basing point provisions were intended to establish wage minima for employees above the minimum at about the wage level that would result from the application of the code formula for upward adjustment of wages.

In a study of wage changes in 101 industries between June 1933 and the average for the first 5 months of 1935, it was found that the average percentage increases in average hourly earnings were as follows: Industries, with wage-basing points and schedules, 44.4 percent; with maintenance of differentials, 25.8 percent; and industries with no mandatory formula for upward adjustment of wages, 25.2 percent. The study indicates that codes with wage-basing points and schedules provided the greatest increase in wages, and the more definite the formula the greater the increase in hourly earnings.

The wage-basing-point plan proved a simpler administrative device than the wage-schedule plan, but it furnished less protection to the wage scale and did less to stabilize it. The greatest degree of stabilization of the wage scale was achieved in those instances where the basing point covered the preponderant proportion of skilled or semiskilled workers, or where an entire wage schedule was developed. Employees in the groups that received wages above the minimum were enabled by these plans to know exactly the rates to which they were entitled. Minimum rates were stabilized and standardized.

Several techniques for the development of wage schedules were tried. The most outstanding were the piece-rate plan, the plant minimum average, and the complete enumeration of the wage minima. It was found that the first two were not satisfactory. The wage-schedule method, on the whole, met the problem of providing sufficient flexibility to allow for the varying productivity of individual employees.

These wage-schedule plans were applied in NRA principally to industries largely employing specialized skilled workers. Where organization of labor and collective bargaining existed, the problem of developing an occupational classification, which otherwise appeared to be insurmountable, was found capable of solution.

Experience showed that the Government could successfully undertake the enforcement of provisions for the protection of the wages of employees above the minimum, where the provisions were the result of the joint negotiations of employer and employee groups, where the terms were satisfactory to each, and where both groups undertook the enforcement of the provisions. The techniques employed in the motion-picture and construction industries provided valuable precedents for the development on a national scale of adequate methods of protection. Where occupations were not sufficiently standardized, the basing-point system provided a simple method of approach with which to begin a more far-reaching structure of control. Definite provision for the protection of the wages of various occupational groups was shown to be necessary for a long-term program of stabilizing labor cost.

Senator TUNNELL. We will reconvene tomorrow morning at 10 o'clock in room 424–B.

(Whereupon, at 4:35 p. m., the committee adjourned until 10 a. m., Friday, October 26, 1945.)

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INTENTIONAL SECOND EXPOSURE

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Senator TUNNELL. We will reconvene tomorrow morning at 10 o'clock in room 424–B.

(Whereupon, at 4:35 p. m., the committee adjourned until 10 a. m., Friday, October 26, 1945.)

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AMENDMENT OF THE FAIR LABOR STANDARDS ACT

FRIDAY, OCTOBER 26, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
EDUCATION AND LABOR,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 424–B, Senate Office Building, Senator James Tunnell presiding.

Present: Senators Tunnell (presiding), and Ellender.

Also present: Senator Guffey; Charles Kramer, consultant to the committee.

Senator TUNNELL. The hearing will please come to order.

Mr. Hillman.

TESTIMONY OF SIDNEY HILLMAN, PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA, CIO

Senator TUNNELL. If you will give the reporter your name and your representation, Mr. Hillman, please?

Mr. HILLMAN. Sidney Hillman. I am president of the Amalgamated Clothing Workers of America, whose headquarters are at 15 Union Square, New York City. I am testifying for that organization.

I understand that a great deal of testimony has been given before you. I am here to give you my views on this matter, in the light of my experience.

I have been connected in an official capacity with industry on the labor end since 1910. I was a member of the National Recovery Board and from 1933 was a member of the Office of Production Management and the National Defense Advisory Commission.

Senator TUNNELL. I might say to you, Mr. Hillman, one of the principal things that has been put up as an objection to the bill has been the belief on the part of some employers that they could not stand the extra expense. Anything you can say on that line might help us.

Mr. HILLMAN. It is not what I have in my statement, and it probably hasn't been covered by most of the others, but I will say, from my experience in the clothing industry and in the textile industry, and from my contacts as a member of the National Recovery Board, where they first put in the minimum wages in writing the codes, that I have yet to find that any employer was put out of business because of the minimum wage.

I have yet to find any substantial number of employers who were not rather happy after the introduction of the minimum wage. The minimum wage has made the average employer happier in his rela-

tionship to labor, being protected thereby from unfair competition from the rest of the people in the industry. The general effect of the minimum wage was always beneficial to the industry. I have yet to find a single instance where an industry has complained after the effectuation of a minimum wage.

I was one of the few who had brought to the attention of President Roosevelt and his administration in 1936 and 1937 the need for a minimum wage after the NRA went out of existence because of the decision of the Supreme Court. There was considerable opposition at that time. Of course, it was a time when business was in a rather depressed state and there was considerable concern amongst people in business whether they could take at that time the very low minimum wage suggested, from 25 to 40 cents an hour. Well, again looking back at my experience, I find that there was less opposition when we tried to revise it up from 25 to 55 cents an hour. In other words, most of the employers were convinced that the introduction of the minimum wage benefited them as employers and benefited the industry.

Your records are there, and you will find dire predictions that were made by members of the industry and by people of the Government as to what would happen. But of course the results have been, in my judgment, beneficial to all industry.

I understand there is very little opposition from industry on this measure.

Now I would like to discuss the 65-cent minimum wage. In most industries that is practically the minimum wage right now. What we are asking you to do is to give Government sanction against reductions, because almost all industry today has a minimum wage of 65 cents an hour, or close to it.

There is no question that the rise in the cost of production will not amount to anything that would be reflected in a price increase due to the 65-cent minimum wage. From figures given to me, it must mean less than 2-percent increase in labor cost. Translated, the average labor cost is about 25 percent of the unit cost. And what does that give you? Just one-half of 1 percent.

Those of us who know the problems that enter into labor cost and unit cost in industry know that the real factor in making the cost prohibitive occurs when there is lack of production or lack of employment, because a major part of general cost is overhead, rent—the constant overhead, the overhead that is going on whether the plant is at work or idle. The general managerial overhead is usually on a full-time basis, as you know, regardless of whether the plant is in operation or not. Then there is investment, equipment, interest charges, and so forth.

Now the problem facing the Nation today is: How are we going to maintain full production and full employment? Given full production and full employment, obviously the cost per unit is bound to go down. The more the cost per unit is regulated, the more we have steady business, demand for production, demand for the kind of things we produce. Now, this, of course, is determined by the purchasing power of the country.

The greatest single factor in purchasing power is the wage level, because from fifty to sixty million people derive their income through the payment of wages. If we keep up a decent wage level, then obviously that, by itself, reduces the production cost, and we will have a constant lowering of the price level.

What is it that makes it possible for us to keep increasing our standard of living? It is the cheapening of the cost of production through mass production.

We have reached new high levels in national production and in national income. Production has gone up to almost $200,000,000,000; and national income, $160,000,000,000.

Therefore, it is inconceivable to me how there can be any opposition to a proposal that cannot possibly affect the cost of living and that will give us a floor against the kind of destructive competition that we had in 1929, 1930, 1931, and 1932.

I was a member at that time of the National Recovery Board, and I know what it has meant. I know how chiseling by sweatshop employers broke down the very structure of our standard of living and because of that, our production.

I believe that the introduction of the 65-cent minimum, bringing it up to 75 cents, and the permissive clause in the industry to peg, if they want to, the different levels against unfair competition, is in the interest of industry as a whole, in the interest of labor, and in the interest of the country.

Senator ELLENDER. What do you mean by "pegging the different levels"?

Mr. HILLMAN. Making some minimum pegging for qualified groups to give them a higher standard. I mean that you make it permissive, if the industry wants it.

Senator ELLENDER. Isn't it obligatory?

Mr. HILLMAN. The bill reads "obligatory," but I would rather that it read "permissive." I think when you come to a higher wage than the general minimum wage, there ought to be an agreement by the industry that it will be in the best interest of the industry. If, as the bill reads, it makes it "obligatory," then I would personally favor changing it to "permissive."

Senator ELLENDER. Don't you think if the bill remains as it is—and I understand it is "obligatory"—that it would run head-on with collective bargaining?

Mr. HILLMAN. No, Senator.

I have heard talk about collective bargaining hurting the labor movement for years, but that has not been the case.

Senator ELLENDER. You have been the strongest advocate of collective bargaining.

Mr. HILLMAN. Collective bargaining can always be done on the higher levels.

Be that as it may, Senator, I agree with you that it should read "permissive," and not "obligatory," so we are just arguing on something that has no substance.

I think there is a general consensus in the industry—not unanimous, but a general consensus—that it will benefit the industry if you put in a general minimum wage.

I have had my experience on this question of minimum wages, especially in the sweatshop industries. I took office in 1910, and, gentlemen, in 1911, when I signed the first agreement with the firm of Hart Schaffner & Marx in Chicago, wages were so low that employers were

ashamed to tell their own associates that they were members of that industry, because it was just a sweatshop industry. The community had to support the people that the employers employed.

Since that time, through collective bargaining, through the minimum wage provision in the NRA codes, it is an industry that pays a fair compensation to its employees, and the industry is better off in every way.

Senator ELLENDER. What is the minimum wage that is paid now in the industry?

Mr. HILLMAN. In general industry, Senator, that is very hard to say. I would say there are very few industries where the minimum wage is much below 65 cents now.

Senator ELLENDER. I am talking about the one you represent, the garment workers.

Mr. HILLMAN. We are a piecework industry, we are not a week-work industry. The obligation is only 40 cents, but we have no such thing as 40 cents now. Our industry is primarily a piecework industry, and the only thing that protection is given in is if a person does not make enough so that he would fall down below 40 cents. That would be where your law comes in.

Senator ELLENDER. Are there any who make below the 65 cents?

Mr. HILLMAN. Some. It would not amount to anything, Senator. It would not affect the cost. It is so little that it is insignificant.

What we really want right now is to be sure that we do not permit some employers—very few of them—to start reducing rates because of the unemployment, which I hope is temporary, that is bound to happen in the next 6 or 7 months because of reconversion.

I have been through the NRA and the OPM and I saw that the bulk of employers liked to cooperate with a liberal fair-wage policy, and I would like to see them protected against unfair competition from unscrupulous employers. The number of those unscrupulous employers can be reduced to a very small number. But if they are permitted to do so, they will undermine our whole structure.

I think I testified as to the minimum wage, Senator Ellender, the last time you were chairman of a committee. Is that right?

Senator ELLENDER. That is right. That was in 1938.

Mr. HILLMAN. If you go over the record you will find less opposition now than there was at that time. I challenge anybody to show us a dozen cases where people have gone out of business because of the Fair Labor Standards Act.

Senator ELLENDER. There were two in New Orleans that I know of.

Mr. HILLMAN. Well, Senator, here is Miss Dickason, the director of our research department, who will tell you about what happened in New Orleans. I think, Senator, you are misinformed about it.

Senator ELLENDER. I got telegrams from the people there.

Mr. HILLMAN. It is so simple to send a telegram, but we will give you the facts, and we will be glad, Senator, if you care to, to have a special investigation of those facts. In our industry we are credited with knowing the facts, and we will give you the facts in connection with these two employers that you have reference to.

Senator ELLENDER. You would not argue to this committee, in the face of the war, that the Fair Labor Standards Act had a fair trial?

Mr. HILLMAN. First of all, I will go down to 1933, when I was a member of the National Recovery Board and sat through the proceedings when we established the minimum-wage provisions in the code for this industry, and while there was opposition—although not too much opposition—the industry did not complain about the minimum wages, nor was there public complaint about NRA on the wage proposition. The complaint was on an entirely different thing. It was on the fair business practices that were put into some of the codes.

So I have had my experience in sitting through most of the garment-industry proceedings, especially in textiles and wearing apparel. I was giving my full time in the service of NRA, first working under General Johnson in an advisory capacity to him, and then as a member of the National Recovery Administration. So, as I say, this is not merely an experience during the NRA. I am speaking also from experience during 1937 and 1938, at which time the war did not affect us.

Senator ELLENDER. But the prices fixed then, Mr. Hillman, were nothing as compared to the prices fixed in recent years. There is no comparison.

Mr. HILLMAN. I found when we talked of the 25-cent minimum wage we had a great deal of objection, but people got to know how it would affect their industry, and when it was raised to 30 cents there was less opposition because the people had the background of the favorable effect on their business. There was hardly any objection when we had the 40-cent minimum. Now, Senator, that 40 cents is 55 cents, or more than 55 cents today.

Senator ELLENDER. That is what the War Labor Board set. I think it is 55 cents.

Mr. HILLMAN. As a matter of fact, it is almost 65 cents, as far as the worker is concerned.

You know these fancy statistics on the cost of living. It all depends on what kind of living one makes and on what one has to buy.

Senator ELLENDER. I am talking about the Department of Labor statistics which caused the War Labor Board to fix 55 cents as of February 1945.

Mr. HILLMAN. During wartime I supported the War Labor Board just as a matter of patriotism, but some of their statements would not hold up. The question of the freezing of the wage level at 15 percent was most unfair to labor. But there are lots of things that people have to put up with in wartime, and that was the least of it, as far as making a contribution is concerned.

I say that today, with the cost of living as it is, the 40 cents will come closer to between 55 and 60 cents. Now, if you do not raise it, it means we are going back from 40 cents to somewhere in the neighborhood of 25 cents again.

Senator ELLENDER. I certainly do not want to propose that, Mr. Hillman. I have contended here that if labor as a whole can retain the basic hourly wage gains that it has made during this war, it would be a big victory for it.

Don't you agree with me?

Mr. HILLMAN. Senator, that is another field. I believe our wage structure is not tied up so much with labor alone. Whether we are going to have full employment or full production in the country depends, in my judgment, on whether we are going to maintain a high purchasing power. But that is neither here nor there.

As far as the 65-cent minimum wage that we are urging at this time is concerned, there is no possibility of that being reflected in an increase in price levels. There is just no possibility of that at all. It affects largely the most competitive industries, and in the most competitive industries, as soon as there is better production, as there is bound to be right now, competition will hold down prices pretty soon.

I hope we do not interfere with OPA until such time, because we paid a terrible price after the last war for about 12 to 18 months. We must regulate people in the common interest. We must be sure that we do not permit new chiselers to start to chisel now and undermine the very structure that makes possible a high standard of living in America, and therefore makes it possible to give employment to our population. Otherwise, we are bound to face terrific unemployment, and there is just no way out of it.

I believe that the people who honestly oppose this 65-cent minimum—and I am not questioning anyone's honesty or integrity—oppose it because they have not given the kind of study to the subject matter that we who are close to it have given it.

Senator ELLENDER. Mr. Hillman, you have studied the question from your standpoint as representative of your union. All that you can see is the group that you represent.

Mr. HILLMAN. No, Senator, I object to that most violently. I have learned one thing, Senator—and the record of the Amalgamated will prove it—I have learned that unless the country is prosperous labor cannot be prosperous. The minute we start talking about blocs, it is simply a question of whose head is chopped off on the block first. Ultimately, we all come there.

Senator ELLENDER. You are providing here solely, as it were, for industrial labor.

Mr. HILLMAN. No, sir.

Senator ELLENDER. Yes, you are.

Mr. HILLMAN. No. When we provide for industrial labor we assure the farmer the best customer. The best customer of the farmer is the large group of wage earners. Give a good earning power to the industrial community and you will assure a prosperous position for farmers. I am as much interested, Senator, in the prosperity of the farmer as in the prosperity of the city worker. You cannot divide the country and have it prosperous. It just cannot be done. I am also for a fair profit to the employers, because if you haven't a fair profit for the employers, you again unbalance the situation.

Senator ELLENDER. How do you determine that?

Mr. HILLMAN. I am not discussing it so far, Senator. There is no complaint about unfair profits.

If you keep the country prosperous and if you get full production, there are bound to be profits, because overhead is reduced.

In most industries, the actual labor cost is 25 or 30 percent. Rent is a big item, and then there are investments, interest on capital. These are reduced in proportion as the plant operation is increased.

If you spread that overhead of 50 percent of your production, it does not make any difference what the labor cost is. You are going to get a higher unit cost, and except for monopoly industries where they can maintain profit through the economy of scarcity, you are bound to be in the red.

I am speaking as one, Senator, who watched reduction after reduction in the Hoover era of 1929. The more reductions to labor, the more business was in the red, because you just could not have the purchasing power. You cannot lower the wage level and have a higher over-all cost and have enough people to sell to.

Senator ELLENDER. If it were possible to take care of all the workers and producers as you are now taking care of industrial labor, there would not be any argument. As I pointed out the other day, we had during this war a lot of white-collar employees who suffered tremendously. We have about 41 percent of the people engaged in employment today whose work, I understand, is distributing the fruits of agriculture and industry and——

Mr. HILLMAN. That is right.

Senator ELLENDER. And they are not protected under this bill.

Mr. HILLMAN. Senator, again look back at the record, and you will find your legislation affects the others. Of course, we cannot ask the Congress to legislate on an intrastate proposition. Our form of government does not permit it, but by putting this in you establish something that everybody says is the right thing to do.

As we enter into interstate production, the employer can help himself much better, he is protected against this unfair competition, because there is no competition outside of his own State.

You will find in some States, whenever they are ready for it, they make it a State proposition.

We have got minimum wages in the State of California. We had it way before we talked about it here, and we have got it in some other places.

This is a model, this is what we believe is fair, and when you do it you affect beneficially all the employees and all the employers. Senator, I do not hesitate to say that this particular piece of legislation that we are advocating is national legislation, in the interest of the Nation, and I will challenge anybody to prove to the contrary.

Senator ELLENDER. Well, you have got a customer right here.

Mr. HILLMAN. Well, Senator, I will take you on on this proposition, and I am quite sure I can convince you, because I know you are open-minded.

Senator ELLENDER. I am always ready to get the facts and act accordingly.

Mr. HILLMAN. It is because I am so sure of the fact that I have no hesitancy in saying I can convince you. The facts speak for themselves.

Senator TUNNELL. Now, Mr. Hillman, following up the line that Senator Ellender has suggested, we have had the suggestion made that while 65 cents might be not only desirable but possible, the rise to 70 and 75 cents in 2 years is too rapid. I would like to hear you on that.

Mr. HILLMAN. Well, Senator, of course, you know some people anticipate another Hoover era. I do not. I am not a defeatist. I believe that difficult as the problems facing the Nation and the world are, we are going to meet them and meet them constructively, and the only way to meet them constructively is to build up a decent standard of living.

Our whole economy is built on a progressive increase in the productivity of our labor, of our industry. That is where the standard

of living comes from. It does not come out of the air. It is the application of technology that makes it possible to keep on increasing our production. The only thing that the world is facing today is to find customers or markets for our production, and it is obvious that the only way to meet it is to have a higher standard of living, and submit the American people, who have put up with so many inconveniences during the war, to a higher standard of living all the time, in order to avoid unemployment. In other words, I think a progressive increase in our standard of living is essential to full employment and full production.

People who are afraid that in the next 2 years 75 cents is too much, must be willing to accept unemployment.

Senator, if we ever permit that spiral of unemployment to start, I do not know whether we will ever be able to lift ourselves up as we did after 1932, because our whole economy today is on a higher level. If we fall from it, I am just fearful that we haven't got enough sense to put in the kind of activities that would stop us from a downward trend that would just make the kind of changes necessary that none of us would even like to think about.

I believe 75 cents is a very conservative statement, and I also believe that in this situation, when you have the Congress here, you can always change it, if something is done you feel is not in the welfare of America. I am satisfied that this legislation will prove itself, as it has already proven itself in the benefit of America as a whole.

Senator TUNNELL. For the benefit of the record, do you have the number of union members in the United States at this time?

Mr. HILLMAN. Well, Senator, you know the estimate is from 12 to 14 million, but this particular legislation is for the benefit mostly of the unorganized workers. The organized workers are only benefited indirectly, so that through this unfair competition they are not forced to make reductions.

Senator TUNNELL. And there is no collective bargaining directly for the unorganized.

Mr. HILLMAN. That is right, Senator.

Senator TUNNELL. That is the reason I was trying to get the percentage.

Mr. HILLMAN. That is right. If anything can be called national legislation, I do not know any legislation that is more essential than this.

Senator TUNNELL. Do you have some questions, Senator Guffey?

Senator GUFFEY. I have no questions.

I have every confidence in the world in Mr. Hillman. He knows more about the textile industry than I do and when he gives you a statement I know it is so.

Mr. HILLMAN. Thank you, Senator.

Senator TUNNELL. I had a statement this morning on the textile industry.

Mr. HILLMAN. On the lack of profit?

Senator TUNNELL. No. We have that in the record.

This is as to the number of spindles.

Thank you, Mr. Hillman.

Mr. HILLMAN. Thank you very much.

(Mr. Hillman submitted the following supplement to his oral statement:)

SUPPLEMENT TO STATEMENT OF SIDNEY HILLMAN, PRESIDENT OF THE AMALGAMATED CLOTHING WORKERS, CIO

Mr. Chairman, I am here to ask the Congress of the United States to do a very simple, sensible, and practical thing—to raise the present minimum wages set in the Fair Labor Standards Act to 65 cents now, 75 cents 2 years from now, and to extend its coverage to include agricultural processing and maritime workers.

This is a simple act because it requires no new concepts of Government or economics. It has been long accepted that the Government must intervene in situations where economic disorder and even chaos produce dangerously bad living and working conditions, conditions which the American system cannot tolerate. This recognition was made when the first Fair Labor Standards Act was passed 7 years ago. The minimum was first set then—in a period of unemployment, I may say—at 25 cents and since that time it has gone up to the present nominal figure of 40 cents. There is nothing new, startling, or out of the way in this process of setting a wage floor now in 1945 of 65 cents an hour. It is an accepted procedure, done in the normal, democratic way of American political methods, by the Congress.

The idea of lifting wage floors to 65 cents is a sensible one because this is one sure way we can maintain our production, promote full employment, and raise living standards.

Today we have a national income of $160,000,000,000. It is essential for us to retain that figure and to expand it if we are to realize the promise of our great capacity and build a sound America with jobs at decent pay for all our returning veterans and displaced workers. How can this be done? It can be done only by protecting and expanding our markets for industrial and farm products.

The greatest market we have for the product of our industrial and agricultural plant is our own home market. Exports have never taken more than a small fraction of our total production. Even with the most greatly expanded foreign trade—which we all hope to see—foreign markets cannot take more than a fraction of our future production.

The greatest market for our production—the home market—cannot flourish, indeed cannot exist, if we permit substandard wages to be paid to millions of our people. It is a known fact, and one that has been demonstrated before this committee, that a rise in the wages of our lowest level consumers will be instantly and permanently reflected in higher purchases of food and other basic products.

A decent standard of living is the accepted American way of approaching our economic problems. An economy that condemns millions to a level below decent subsistence does not make sense in the American scheme of things. It does not make for democracy. It does not make for the kind of opportunity we are proud to say exists in a country with our tremendous productive capacity.

In order to promote decent living standards for all our people, we must maintain full employment at adequate take-home wages. It is obvious that you cannot maintain full employment unless you provide the purchasing power to consume the product of 60,000,000 workers. During the war, we forced our enemies to consume much of this product—in the form of weapons and ammunition directed at them.

The war against fascism has been ended. We are not now devoting any considerable portion of our production to military use. We hope to arrive at a point where we will use less and less in that manner. With the end of the war, Government expenditures have dropped to a fraction of their former rate.

Some market other than war must take its place. What is that market? That market is the American people—working full time at decent wages, enjoying a fair standard of living.

Without that market, we cannot have full production or full employment or security in America. And if America is not secure, then we cannot play our part in building a secure and peaceful world.

Full production and full employment must be based on higher wages. We are facing today a postwar situation that can easily—if we let it—become a postwar crisis. This is the crisis of cut-backs, lay-offs, sharp reductions in take home pay, unemployment. The answer to this threatening situation is partly in the hands of this Congress and of your committee. Quick action on this legislation is one of the surest guaranties that America is building for prosperity, while inaction or compromise is the road to depression.

It is fallacious to say, as some have said, that increasing wages necessarily means increasing costs. If we base ourselves on this philosophy, we shall be

discarding the experience and the knowledge gained over the past 15 years. We shall be rejecting the bitter lessons that we learned in the years of depression and crisis.

With increased wages we shall find that the workers and farmers and other consumers are able to buy the products that they make and raise and distribute. As they are able to buy these products, farmers and businessmen will find that they sell and distribute more goods. As more goods are produced, unit costs of production go down because of lower overhead, lower rents, lowered capital investment per unit of output. Any businessman will tell you that he operates at a higher rate of profit when all his productive facilities are fully employed—that is, when his factory is running full blast and his workers are putting in full time. That is why the businessman's primary concern is the size of his market, not the few cents per hour extra he pays his worker.

In a period of full employment, we invariably find that technological advances proceed most rapidly. The experience of the war years, in which productivity per worker increased some 25 percent shows this.

No one in his senses talks of stopping technological advance. The point that labor—and all sound economists—make is that the products of technological advances must be consumed or it results in unemployment. The only people who can consume them are the people with adequate purchasing power—which again means adequate wages. Wages are the main base of American consuming power. To cut that purchasing power, to refuse to expand it when it can be expanded, is to cut consumption, cut production—on the farm and in the factory—and to cut prosperity.

As the Congress and this committee knows, we have shockingly bad living conditions in many areas of American industry. Your committee has heard from the men and women who even today are forced to work and live under substandard conditions. Such living conditions contribute nothing to American well-being. Rather, they drag us all down—even those who today may feel that they are protected by relatively comfortable incomes. Thus, a more adequate minimum wage not only protects the lower-income groups themselves, but also protects those who are fortunate enough to be in higher income ranges. And by that I mean all of us—not just the better paid industrial worker but those in the professions, those in business, those making their living from farms and other enterprises.

From the point of view of the businessman himself, the question is the same. Are we willing to let a few sweatshop industries, or a few areas of extreme exploitation within an industry or a region, break down the competitive standards under which the rest of industry operates?

Are we going to subsidize the chiseller, the low-wage racketeer, the unscrupulous business rival who uses the misery of his workers to compete with the comparative well-being of more adequately paid personnel?

Most of the arguments that were made 7 years ago against the first passage of the Fair Labor Standards Act are being made today against its logical extension proposed in the present bill. Yet today, 7 years after the 25-cent minimum was set and 4 years after the present 40-cent minimum was reached, we cannot see that any businessmen have been ruined by the act. On the contrary, we see the highest level of profits ever recorded in American history.

I would like to say a final word on the subject of compromise. There have been reports that a compromise will be sought on this bill to set the minimum at 55 cents an hour. This is no compromise at all. It is a flat refusal to do anything toward raising the standard of living of workers being paid substandard wages. The wage floor of 55 cents today, in terms of 1945 cost of living does not equal a wage floor of 40 cents in terms of cost of living when the Fair Labor Standards Act was passed.

We must take action on this greatest of all American problems now—and that action must be to pass these amendments requiring a 65-cent minimum wage under the Fair Labor Standards Act. We cannot afford to delay, because delay means hastening depression and economic crisis. We cannot afford to compromise, because compromise means failing our country in an hour of need for security, well-being, and of need for the real basis of lasting peace—which is based upon the security and the prosperity of all the people of the world.

Senator TUNNELL. Miss Dickason.

TESTIMONY OF GLADYS DICKASON, RESEARCH DIRECTOR, AMALGAMATED CLOTHING WORKERS OF AMERICA

Senator TUNNELL. Just give your name to the reporter.

Miss DICKASON. Gladys Dickason, director of research for the Amalgamated Clothing Workers of America.

With your permission, Mr. Chairman, I should like to file for the consideration of the committee a statement of some workers in the garment plants who appeared before this committee, but their statements are not yet in the record.

Senator TUNNELL. Let them be filed.

(The statements referred to were filed with the committee.)

Miss DICKASON. I have here a statement submitted on behalf of the Amalgamated Clothing Workers which is devoted chiefly to the effect of the 65-cent-minimum wage.

In the statement being presented we have not included material with reference to cost of living, standards of living, or the need, in human terms, for a 65-cent minimum, because much of that material has already been presented to the committee.

We particularly endorse the statements and material included in the brief submitted by the Congress of Industrial Organizations, and therefore we have not repeated that but have devoted ourselves chiefly to the points on which we have had particular experience.

Now, it has been stated that there has been no minimum wage regulation hitherto which envisages such drastic changes as these proposed amendments do. I think we have covered that matter quite fully in this brief, so I will not go into it in detail, but on page 2 of this statement there begins a section of the statement which is headed "Increase to 65 cents modest compared to previous increases required."

The statement has also been made here that our experience with the effect of higher minimum wages has largely been a war experience. I should like to call attention to the fact that although a minimum wage of 40 cents was established under the Fair Labor Standards Act in the clothing industry in 1940, that minimum wage of 40 cents had been established in the clothing industry in 1933. So that we have had the benefit of the experience from 1933 to 1935, which has no relation to the war whatsoever.

Senator TUNNELL. How had that price been established, Miss Dickason?

Miss DICKASON. Codes were established under the NRA in each industry group. Employers, representatives of labor, and other interested parties appeared before the National Recovery Administration officials, presented their views on the matter of what the code of fair competition should contain. Extensive hearings were held on the men's clothing code, and there was presentation of testimony by employers who felt that wages should not be raised to a very high level.

I have some quotations from such testimony in the statement that is here presented, and I have also some information as to the course of employment afterwards, either in the firms or sections of industry whose employers opposed the raising of the minimum at that time. But the 40-cent minimum was established then through the code of fair competition for the men's clothing industry, and was put into

effect by the National Recovery Administration, administered by the clothing code.

Now, the code minimum in the cotton-garment industry was somewhat lower. That was 32½ cents. But the 32½-cent minimum in 1933 required a vastly greater increase in wages than the 65-cent minimum can require in the same industry, or any other industry today, because the maximum increase that any single firm can pay if these minimums are adopted is 62½ percent. That would assume that every worker in the factory was getting 40 cents an hour. Actually, I know of no such firms.

Senator TUNNELL. You mean that they are getting more than that?

Miss DICKASON. They are getting more. The Bureau of Labor Statistics reports hourly earnings for, I think, something like 134 industries. The industry in which workers receive the lowest wages is a branch in which the Amalgamated Clothing Workers has membership, therefore the Amalgamated Clothing Workers is quite thoroughly informed with reference to that lowest paid branch of manufacturing industry.

That particular industry is the workshirt industry. The average wages in that industry are 57½ cents an hour now. So the increase is from 57½ cents to 65 cents. That is the lowest-paid industry of all. There may be an individual firm here and there that pays less than 57½ cents, but the average in the lowest manufacturing industry is 57½ cents. The increase there, to bring that industry up to 65 cents, would be about 15 percent.

In 1933, some firms were paying $2 a week, and they increased their wages five times and six times to comply with the code minimum. The industry as a whole was paying an average wage of 19 cents an hour. They complied with the code minima of 30 and 32½ cents an hour. Profit improved, business embarrassments declined, production increased, employment increased, and that was country-wide. There was no area in the country that suffered. So that the statement that the legislation proposed here is more drastic than any that has taken place before, is not in accordance with the facts.

The question was raised with reference to two firms in New Orleans which it is reported have gone out of business. It is true that two firms in New Orleans, in the clothing industry, have gone out of business.

In the natural course of events in American industry, certainly the great majority of firms survive, though a few do not. That was always the case before there was any minimum wage legislation. The fact that an individual firm does not survive or chooses to go out of business is no proof whatsoever that minimum-wage legislation had anything to do with the withdrawal of that firm from business.

I would say with reference to a firm in New Orleans which did withdraw from business a year prior to the time that the 40-cent minimum wage went into effect, that there is no evidence whatsoever that the 40-cent minimum wage had anything to do with the withdrawal of that firm from business.

Senator TUNNELL. Do you have any record of when they went out of business?

Miss DICKASON. They went out of business about September 1939. It probably was not exactly in September, but it was certainly in the fall of 1939.

Senator TUNNELL. Did I understand you to say that the 40-cent minimum had really been in effect since 1933?

Miss DICKASON. No; the 40-cent minimum which was placed in effect in 1933, remained in effect as a Government regulation until 1935, when the NRA was declared unconstitutional. From that time on there was no governmental minimum.

Now this particular firm withdrew from business in 1939, and the 40-cent minimum became effective in July 1940. So the withdrawal from business preceded the effective date of the minimum by nearly a year.

There is some testimony on the public record as to one factor in that firm's decision to discontinue business. Mr. Joseph Haspel, who is the president of Haspel Bros., Inc., of New Orleans, which is one of the largest clothing firms in New Orleans, appeared at a hearing on recommendations of Industry Committee No. 2 for the apparel industry in Washington on December 13, 1939.

Mr. Haspel testified that Mr. Godchaux had told him that his firm had decided to discontinue business, and Mr. Haspel then proceeded to discuss the effect of the 40-cent minimum the effect he thought it would have on the clothing industry in New Orleans.

Senator TUNNELL. Where is Mr. Haspel now?

Miss DICKASON. Mr. Haspel is in business today. His firm is expanding, although Mr. Haspel testified that he had grave doubts as to how the industry could survive in New Orleans and operate under the 40-cent minimum.

Senator TUNNELL. Was he connected with one of the firms that went out of business?

Miss DICKASON. Mr. Haspel is in business, but Mr. Haspel testified as to what Mr. Godchaux told him.

Mr. Haspel said with reference to his own plant that his problem in complying with the 40-cent minimum and staying in business, was that his production could not increase, that the people down South just did not know how to work and cannot work. That is a quotation from Mr. Haspel's testimony. Apparently, in Mr. Haspel's plant the workers must have learned how to work almost overnight, because at the point in 1939 when Mr. Haspel testified that the people down South just did not know how to work and cannot work, within 4 months after that Mr. Haspel made a statement—which was reported in the Daily News Record—that he had booked 50 percent more business. Now, it is not usual for a firm that does not anticipate it can operate at a profit to book more business.

Mr. Haspel then, after stating his own problems, because in his opinion the people did not know how to work and could not work, said to Mr. Godchaux's superintendent that he just could not get production.

Now, the record shows that Mr. Haspel did get production, and it shows that other firms in New Orleans got production, and the total number of workers employed in the apparel industry is higher today than it has ever been in the history of New Orleans. Now, if this firm could not get production, they apparently could not do what other firms in New Orleans could do.

Senator TUNNELL. Was Mr. Haspel then in business?

Miss DICKASON. Mr. Haspel was then in business. He is still in business, and he is expanding his business.

If the Godchaux firm had chosen to remain in business, their business history might have been the same as Mr. Haspel's.

The Godchaux firm had many other interests. They operated a large retail store in New Orleans. When they went out of business they stated that they were going to devote more of their energies to developing their retail business. Therefore, there were a number of reasons in the picture that have no relation to a minimum wage whatsoever.

Senator TUNNELL. Was their business the same as that of Mr. Haspel?

Miss DICKASON. They manufactured the same type of products, yes, sir. They had been members of the same association, and Mr. Haspel had testified on behalf of himself and other manufacturers in New Orleans on previous occasions. So, the business was of the same nature.

Senator TUNNELL. I wanted the record to show that.

Miss DICKASON. Yes. The information with reference to the other firm which withdrew from business in New Orleans is also to the effect that it did not withdraw from business because of the 40-cent minimum. There were other factors in that situation, too. There again I am advised that the owners of that concern had other large interests.

Now, it is characteristic of the wearing-apparel industry that management is a key to success in the business. A great majority of firms in the business are operated by owners who devote their full time to operating the business, and where a firm has other interests and merely attempts to operate the clothing firm with his left hand, it usually does not work out very well because it takes the attention of management.

Senator TUNNELL. The fact that somebody died in 1939 is no presumption that he died from eating certain food, or anything of that sort.

Is that your argument?

Miss DICKASON. That is correct.

There is a large firm in the clothing industry in another area in the country which withdrew from business because the employer died and his wife, who inherited the business, did not wish to continue it. This was unfortunate because a great number of workers were thrown out of work. But, one could not allege the withdrawal of that firm from business had anything to do with the minimum wage.

There are a great number of reasons why firms withdraw from business.

Now, the actual figures as to the development of the New Orleans industry are included in this statement. I might call attention, however, to the fact that Mr. Haspel testified in 1933, when he was representing a group of New Orleans manufacturers, that a 35-cent minimum would make his labor cost 216 percent of what it was before the NRA.

Now, it is possible to compute by simple arithmetic from that statement that the average wage was therefore 16 cents per hour before the NRA went into effect, when firms were working 58 hours a week. Mr. Haspel later testified—and the citations are given in this statement—that his average wage during the NRA went up to 32 cents an hour, which doubled it. While there was a general 40-cent minimum in effect in the clothing industry, the cotton-garment minimum was lower, and there was some statement that the competition between the two codes would have a bad effect. There were certainly lower minima in effect in New Orleans, but in any case the wages doubled. Firms continued in business and employment in the men's apparel industry in New Orleans increased with a doubling of wages.

The fears that had been expressed by the Southern section of the industry with reference to increases in the minimum wage have been constant ever since 1933. Because of that I have included in the statement a table of the number of employees by years in the Southern States as contrasted with the number of employees in the remainder of the United States.

Employment in the South, even though minimum-wage regulations were in effect from 1933 to 1935, and went into effect again in 1938, has continued to increase in the men's apparel industry in the South at a much greater rate than the rest of the country, which I think proves conclusively that the minimum wage has not hampered development in the South in any way. That is in spite of the fact that previous increases amounted to a doubling of wages, and the bill presently under consideration here, as I understand the proposition, cannot call for more than a 15-percent increase in wages in the lowest industry.

Senator TUNNELL. That is from 57½ to 65 cents?

Miss DICKASON. That is correct; yes, sir.

Senator TUNNELL. Have you concluded your statement?

Miss DICKASON. If I may take one moment more to call attention to one or two other sections, and I will be through.

Senator TUNNELL. Go ahead.

Miss DICKASON. There has been discussion here as to the effect of a 65-cent minimum on prices. I think it is important to call attention to the fact that prices do not necessarily move with wages.

Included in this statement is a table that gives the average value per dozen garments, for men's shirts, overalls, work pants, and work shirts, for the years 1929 to 1939. The average hourly earnings for that section of the cotton garment industry is 1929 were were 28.6 cents.

In 1929 the average selling price of men's shirts was $13.39. The average selling price of work shirts was $8.02.

Senator TUNNELL. That is per dozen?

Miss DICKASON. Per dozen; yes; at the factory.

In 1939, when the average hourly earnings were 40 cents an hour, that is, an increase of 12 cents an hour on 28 cents, the average selling price of men's shirts was $9.39 per dozen as contrasted with $13.39 in 1929. The wages went up 12 cents an hour while the average price of the shirts was $4 less. That runs through the whole picture.

In this report of the United States Department of Labor on productivity of labor in the cotton-garment industry, information is given as to labor cost in a number of firms, without giving the names of the firms, of course. I call your attention particularly to page 82 where it shows that as the wages declined, the labor cost went up.

There is one particularly firm where in 1936, the average hourly earnings went down from 20 cents to 15 cents per hour, and the labor cost per dozen garments went up, which is not surprising.

Senator TUNNELL. Do you have any figures on total sales during that period?

Miss DICKASON. Total sales?

Senator TUNNELL. Yes; during the period when production was going down per employee.

Miss DICKASON. Of that particular firm?

Senator TUNNELL. Yes.

Miss DICKASON. Those are not available; no.

Senator TUNNELL. I see.

Miss DICKASON. Low wages do not necessarily bring about high production. In fact, in the garment industry, the highest productivity per operator is frequently associated with the highest wage level. It is a fact, however, that some firms which pay the lowest wages in the industry, also, by means of speed-up systems, found ways of getting high production with low-wage levels, and those are the firms who would be fully able to pay the increase required under this bill with no increase in prices, because they simply have the tremendous advantage of this lower labor cost and have had the experience of a low standard of living for their workers.

As a final remark, I do want to say that I think in the testimony which I quoted from Mr. Haspel to the effect that people down South just do not know how to work and cannot work, I think in that statement made by Mr. Haspel's production manager, as he testified, there is a great injustice done to the southern worker because experience shows very definitely that the productivity of the southern worker on the same garment for the same firm can be the same as in a northern factory.

In other words, taking a firm which operates a number of factories, some of them possibly in New York, some in Pennsylvania, and some in Georgia, the production per worker of that firm can be shown to be higher in the southern plant than in the northern plant. It is a general condition that the production will be at least just as high.

Where the production is lower, it is my experience that the low production is related to one of two factors: Either to inefficiency of management or to such very low-wage rates that there is no incentive to the workers to produce. It has not been my experience in any case where a fair level of wages was paid and where there was efficient management, that you did not get a relatively high level of production in southern plants.

Senator TUNNELL. Well, the natural tendency is for substandard wages to attract substandard people, is it not?

Miss DICKASON. That is generally true where there is a choice of jobs.

Senator TUNNELL. That is what I mean.

Miss DICKASON. But where there is no choice of jobs, as there frequently is not in the garment industry where it is located in rural areas—there will be only one factory and perhaps no industry for 30 miles around—then you can get a very productive type of worker, a very able type of worker in that factory.

But unless you enlist the interest and the cooperation of those workers in producing the garment, you do not get production. And, ordinarily, you do not enlist their cooperation at substandard wages.

Senator TUNNELL. Yes.

All right, thank you, Miss Dickason.

Your testimony is very clear.

(Statements submitted by Miss Dickason appear in the appendix.)

Senator TUNNELL. Mr. Steele.

TESTIMONY OF R. E. STEELE, ASSISTANT DIRECTOR, NATIONAL FISHERIES INSTITUTE

Mr. STEELE. Mr. Chairman, my name is R. E. Steele. I am the assistant director of the National Fisheries Institute, which is a trade association.

Our address in Washington is 1835 K Street NW.

Our association has a membership in 28 States, the Territory of Hawaii, and Alaska.

Our members consist of producers, processors, wholesalers, and canners of fish and sea food. We are only interested in the commercial aspect of the industry.

Our reason for being here is primarily to maintain what we already have in the way of exemption for the commercial fisheries.

Under the new proposal, the proponents have left out a provision which now applies to our membership, which is—

and including employment in the loading, unloading, or packing of such products for shipment or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing the above products or byproducts thereof.

In close terminology, what the new amendment does is divide the onshore and offshore operations insofar as commercial fisheries are concerned.

Senator TUNNELL. Those who catch the fish are still exempted; is that right?

Mr. STEELE. That is right, except that there is some question about where processing begins or leaves off.

I would like to make some mention of that before I get through.

But in general terminology you can say this amendment would cut off the exemption for the onshore workers. That represents, according to the Fish and Wildlife Service, about 95,000 persons.

Of course, you understand that there are many stages of processing in the fish industry. The Congress has not been too kind to us when defining "processing." That is, there are so many different terms used in different laws affecting the commercial fisheries that we do not know where we stand.

Senator TUNNELL. Are you referring to the edible fish or to both?

Mr. STEELE. Well, to edible, and to fish that go into meal and into oil.

For instance, there is one case now that holds that "headed and gutted" fish are processed fish. That was stated in the opinion in a case before the Interstate Commerce Commission known as the Monarch egg case. The Commission stated fish are processed unless you transport them in the form they come from the water, dead or alive.

Now, under the proposal here, if a fisherman processes fish on board, presumably he is exempt.

If it is done on shore, the same operation would be classed as processing the fish.

Yet I suppose in any retail market that you could not tell where that so-called processing was done, whether on shore or at sea.

Senator TUNNELL. Those oil processors on ship have not been very successful, have they?

Mr. STEELE. I am not qualified to say just how successful they are.

There are a number of new operations now that are proposed that would not be exempt under this new amendment.

On the west coast there is a factory ship being constructed.

Senator TUNNELL. That is what I had reference to.

Mr. STEELE. Well, on that factory ship they will catch fish, can them, freeze them, and store them, or package them right on the boat.

Senator TUNNELL. They have the same thing for the whales, haven't they?

Mr. STEELE. I am not familiar with the whaling industry.

I have here in the room, I believe, some expert who could answer those questions for you. Dr. Radcliffe, director of the Oyster Institute, is here.

I believe at one time he was head of the Commercial Fisheries for the Government, here in Washington.

We also have Dr. Kahn, of the Fish and Wildlife Service of the Interior Department here.

They might be able to answer some of your questions.

Going back to the factory ship, that new method is one hope, I believe, of building up the industry on the west coast.

During the war, in 1942, this country built either 13 or 19 factory ships for the Russians on our west coast, at a time when the Navy was taking our own fishing boats from our own commercial fishermen and converting them to war use.

So during the war we built up competition to our own domestic industry.

We have an awful time at the present time getting that one factory ship built on the west coast, and here the Russians already have 13 or 19—we cannot find how many—to compete in the Bering Sea with this proposed American ship that is being built. It is a venturesome business. Just like the salmon industry is a big gamble, this new method is a big gamble, but it is one way we feel we can build up the industry.

But if we are going to get competition from Russia and other countries, we think that there should be no "speculative legislative action" at this time that would interfere with this new industry which we hope to build up.

Senator TUNNELL. I know that there was a factory ship for oil and fertilizer 20 years ago along our coast.

Mr. STEELE. Of course, the Japs have operated floating canneries, too.

I heard Dr. Walling, of the Wage and Hour Division, testify something about his proposal, and I think floating canneries were not to come within the exemption.

Furthermore, we feel that the salmon industry would be in jeopardy if this legislation were passed. These men are signed on the boats under contract. They are paid when they get on and until they get off. Room, board, and keep play quite a part in these contracts.

Of course, the greater number of employees in the fisheries are already members of unions and their contracts apparently have worked out all right, because those industries are operating at the present time.

We have had some strikes, but we have gotten along fairly well, and have been able to contract on a basis suitable to management and employees.

Now, Dr. Walling gave testimony here that you people should consider throwing out. He gave statistics for the year 1943, showing

what was paid in the South. I have the statement right here. He says:

> The necessity for minimum wage protection for employees engaged in fish processing is indicated by a survey of selected key occupations in fish and sea food canning plants in 10 designated areas during the 1943 season by the Bureau of Labor Statistics. The average hourly earnings in these categories were in Alabama 32.4 cents an hour, 35.7 cents in New Orleans, La., and 38.2 in Norfolk, Va.

The latest figures we have been able to get from the Fish and Wildlife Service of the Department of the Interior indicate that there have been no Southern areas where the minimum for women is lower than 50 cents, and 60 cents for men. So those figures in 1943 compared with the current figures indicate what the industry has done for itself, or within the space of 2 years, in raising wages.

The law of supply and demand has pretty well taken care of the fish industry. The per capita consumption in the United States is only about 13 pounds. During the war the fish industry has been very successful, during the shortage of meat and poultry.

I think one thing that the committee should weigh very heavily in deciding exemptions for the fish industry is these high prices for fish.

Within the past 2 weeks the market has broken sharply. Fish were too high in price. I have the figures here, and they will be in the record in my prepared statement, taken from the Fish and Wild Life Service, and they show what has happened in different parts of the country. The price of fish dropping so sharply is due to meat becoming more plentiful, and that also applies to poultry, and the lowering of ration points.

Senator TUNNELL. The price of poultry has dropped very suddenly too?

Mr. STEELE. It is true of poultry, but it has been sharper in fish.

We maintain the prices of fish have been artificially high. If you have a 50- and 60-cent hourly labor cost in producing fish and the bottom drops out of the market with these costs when meat becomes plentiful, then we say most anything can happen, and generally will happen.

If you put an artificial floor into the cost, then you drive the fish commodity too high in price so that you cannot sell it in competition with meat. As a result you have ruined that industry.

The recent break in the market proves our point. I am not talking about something that happened in 1943, I am talking about something that happened in the last 2 weeks.

If we could get Congress to make people eat more fish, then we would be all right, but it just does not happen that Congress proposes this.

As I say, the per capita consumption of fish is very low. We will have to admit that the industry has been very backward.

You are talking about a lot of small people when you talk about people in the fish industry, compared to what you gentlemen have been listening to, such as the people in the textile industry.

It will be our job, of course, to try and build up that per capita consumption, but for an industry that has been pretty backward, we think Congress ought to tread rather easily and give it a chance.

We will have to admit, furthermore, right now, we have the biggest black-market operators in the fish industry of any industry we know of.

Senator TUNNELL. Why should there be a black market when there is an oversupply?

Mr. STEELE. We have some few commodities that are still scarce and in demand.

However, I think that there is a tapering off of the black market. In the shrimp and scallops business we have a tremendous black market.

We furthermore think in dealing with a group of small businessmen that if the Congress makes the same mistake on wage and hour legislation, that it did on price legislation, you would not have enough investigators or snoopers to enforce the law.

Just like I heard a man who was supposed to be an expert say the other day if you have someone paying an income tax on the basis of $10 a year, it may cost more to collect the $10 than it would cost not to tax the person at all.

By the same token, we think the benefit you would get by splitting the exemption in two for the fisheries would be negligible and out of line with the cost of enforcement.

First of all, you are dealing with a commodity that is unseen until you catch it. It is perishable until it is entirely processed or finds its way into the retail market.

It is not a question of the industry trying to chisel, or not being able to pay wages. That is demonstrated in the figures that you had in 1943, that went up in 1945 15 or 20 cents higher than Mr. Walling's figures showed.

I believe that the man here with me who will speak next will be able to substantiate the figures that I gave for the South, showing a minimum hourly rate of 50 cents for women and 60 cents for men. It all demonstrates where you are dealing with an unknown quantity you better tread carefully. As Congressman Bland, of Virginia, said, you can legislate all you please but the fish will not pay any attention to you in regard to wages and hours.

I introduce here Mr. Triggs, who represents the largest distributing wholesale organization in the country. He is from New York and Chicago. He can tell you very well how the exemption should follow through the wholesale channels as well as at the shore where the fish are caught and handled.

To break this exemption in two right where you have it under this proposal puts me in mind of a story when I was practicing law.

A fellow wanted a code of ethics established, but when it came right down to it he did not want it to apply to him.

We feel this way—that the fisherman should be granted his exemption. We are in his corner, because we have to have production before it can be handled on the shore. But we want the thing to be handled in a straightforward manner, so we can bargain with one another as we are doing now. It is only fair that the exemption apply equally to the off-shore and on-shore worker.

We think that exemption as is should remain.

We have already learned to live under the present law. And, Senator, it is not an outright exemption like you would suspect. We have employees already in plants who are not exempt.

Mr. Walling's department has already given us several interpretive bulletins, telling us what you gentlemen meant when you passed the wage-and-hour law in 1938. The industry is learning to live under that exemption, and we would like to maintain it.

I am sure there would be so many court actions if this present amendment were put through, that it would take a long time for the industry to level off, to be able to tell where it stands.

Senator TUNNELL. I would like to ask you a question.

You are talking about the situation for the last 2 weeks with reference to fish. Now you know up until a very short time we could get no meat but fish to speak of. Then the Government stopped buying poultry. In the section of the country where I am from, they took all of the poultry until a short time ago, and then they took 70 percent of the poultry, so that a civilian could not get poultry to eat.

Now, the Government suddenly stopped buying the poultry when the war ended. Do you think that this is a typical situation, just at a time when poultry has been thrown on the market?

I would like to have your idea on it. I am interested.

Mr. STEELE. If you think your industry is in bad shape you ought to look at the fish industry. This is an item that has never been in great demand in normal times. I cannot tell you offhand what the per capita consumption of poultry is, but it is at least five or six times as high as the per capita consumption of fish.

Certain food items are in demand. In your case, in the poultry industry, I know that a glut has occurred in different parts of the country.

The same thing happened to the fish industry. It came overnight. There were no set-aside orders on fresh and frozen fish, but the Government was able to get its supplies and they had certain channels to go through to get the fresh and frozen fish without set-aside orders. The Government did have set-aside orders for canned fish, like they did on poultry, but not on frozen commodities. Overnight the armed forces discontinued the purchases of fish, except for current uses, and that helped crack the market.

Senator TUNNELL. I just call your attention to this difference: You do not have to feed the fish while you are waiting.

Mr. STEELE. No.

Senator TUNNELL. You do the poultry.

Mr. STEELE. That raises a question, though, Senator. Once we get them out of the water, we have to take care of them, and we have to maintain enough help to take care of them at once. They have an overtime provision here in this amendment. Our industry has to maintain personnel to take care of something they do not see until it is right in their laps.

I am sure the employer groups would not want to pay overtime after the employees sat around all day waiting for something to do. That is one of the objectionable features to the amendment.

I will not take any more of your time.

I would like to know if you would like to hear from Mr. Triggs, of Chicago.

Senator TUNNELL. What part of the country are you from?

Mr. STEELE. I am an Ohioan originally, from Steubenville.

Senator TUNNELL. Thank you, Mr. Steele.

(Mr. Steele submitted statements which appear in the appendix.)

TESTIMONY OF CHARLES W. TRIGGS, EXECUTIVE SECRETARY, FISH DISTRIBUTORS COOPERATIVE ASSOCIATION, INC.

Mr. TRIGGS. Mr. Chairman: My name is Charles W. Triggs. I am executive secretary of the Fish Distributors Cooperative Association.

It is an organization composed of distributors reaching from Philadelphia across the country to Dallas, Tex.

I am talking for a continuance of the exemption that we have in the present law.

Senator TUNNELL. Exemption of what, now?

Mr. TRIGGS. Exemption of the fish industry.

If you wish, I will give you my background.

I have been in the fish business all my life, 20 years of which I was associated with one of the largest fish companies in the industry, with branches from Boston to Seattle, during which time I had a good opportunity to acquire knowledge of the fish industry in a large part of the United States and Canada.

I was secretary of the Fish Advisory Committee of the Department of the Interior for 2 years and head of the Fish Section of the Office of Price Administration for 2 years.

Fish are extremely perishable and, unlike other perishable food stuffs, it is necessary to keep them properly iced and kept in favorable temperatures to guard against spoilage.

Furthermore, the production of fish is erratic and influenced to a marked extent by weather conditions and the run of fish. Production may be extremely heavy when weather is warm and the need for proper icing is very important. The same conditions as to quantity of catch apply to the handling of fish ashore, transportation, and handling at destination.

Throughout a large part of the country a very great percentage of fish is handled 1 or 2 days a week, which necessarily means that more work is required on those days than other days of the week. As a matter of fact, during the early part of the week and on Saturday work is exceedingly light which compensates for the extra labor required on the busy days. This situation maintains more away from the producing points.

Careful consideration was given to the wage and hour exemption in the present law before Major General Fleming, Administrator of Wages and Hours, and testimony given at that time should be considered.

Due consideration should be given to the extremely perishable nature of fish and seafood and the effect upon quality if not properly handled. Even under normal conditions, the uncertainty as to supply and demand is very great and, without a doubt, fish and sea foods are in a class by themselves and should be treated as such.

Senator TUNNELL. Your idea is that the exemption of those who catch the fish is not sufficient?

Mr. TRIGGS. Is not sufficient.

Senator TUNNELL. You think the processor should also be exempted?

Mr. TRIGGS. The processor should be, and I carry that beyond that, to the distributor, because fish comes in fits and starts, and when the production is heavy it has got to be moved, it cannot be held.

Other perishable commodities will carry. For instance, meats will carry, but fish will not carry, so it is necessary to put them on the market and dispose of them, which accounts for a very much depressed market at times, under normal conditions.

Senator TUNNELL. Don't you think, since the Government stopped buying fish suddenly, as well as other foods, that it has had a particularly depressing effect on your business at this time?

Mr. TRIGGS. Yes, Senator, together with the fact that there has been a falling off of the demand, and increasing inventories.

Senator TUNNELL. How do you account for the falling off of the demand?

Mr. TRIGGS. The falling off of demand has been largely due to the things you mentioned.

VJ-day made a marked difference from that point on, and then the Government cutting back or setting aside orders.

For instance, on canned fish, the Government cut back from 80 to 30 percent. Then there was the cutting down of orders for the Army, and a determination on the part of the Army to work on what they had in storage. In other words, they will work from day to day, or week to week, on their requirements.

Senator TUNNELL. You do not have any notion that there is any permanent lessening of the demand for fish?

Mr. TRIGGS. Yes, decidedly so, for the reason that we have had an abnormal demand.

Senator TUNNELL. Yes.

Mr. TRIGGS. We know along the coast here, in the restaurants, hotels, and shores, we have just been ramming fish down people's throats because they could not get meat.

Senator TUNNELL. There was no rationing of fish, was there?

Mr. TRIGGS. No rationing of fish. It is very difficult to ration fish, in the first place, because you do not know what you will have. It is very difficult to put a ceiling price on fish because of uncertainty.

Senator TUNNELL. There is no ceiling on fish?

Mr. TRIGGS. Yes, there have been ceilings on New England fish, and altogether 45 or 50 varieties. You cannot control migratory fish like you can fish that are more stable and that you catch from week to week.

Take May 1, 1944, when they took rationing off of some meats, the fish business dropped about 30 to 40 percent right straight across the country. Today it is anywhere from 40 to 50 percent of what it was a few weeks ago.

Senator TUNNELL. What do you call migratory fish?

Mr. TRIGGS. Shad.

Senator TUNNELL. Herring?

Mr. TRIGGS. Chesapeake Bay herring, similar to shad. A large part of the coast from here down to Florida is where the fish are migratory.

Senator TUNNELL. Pretty nearly all of our fish, or a greater part of them, you can catch at one time and you cannot at another?

Mr. TRIGGS. That is true.

They have their times of heavy production, and then is when it is necessary to have the facilities and means for handling them, and handling them quickly. There may be a tremendous amount of fish for 2 or 3 days, and then a sudden blow comes up and you do not have any at all. You cannot lay your labor off just because you do not have any fish to handle.

The nature of the business is such that there is more element of uncertainty in it than in any other food business.

You know for a year you are going to get a certain quantity of fish, but you do not know just when you are going to get them.

I think that exemption should apply not only onshore, where the fish are landed, but also as you go along.

It does not make any difference whether it is Chicago, Cleveland, or Detroit. When the fish come in in abundance, they have to be handled, or when they come in late they have to be handled.

As you get away from your producing point, your volume decreases per capita, and you have got a greater amount of expense to take care of that per capita. While our per capita is supposed to have been varying from 13½ pounds to 15 pounds, that is the highest I have known it to be per capita in the consumption in the United States.

When you consider along the shore here, we may have a per capita consumption of 30 to 35, you can see what it is in the remote parts of the country.

When you compare the expense of handling a business of that kind, just in the distribution end of it, and when you consider the effect that other food commodities have upon the volume, you can see the handicap the industry has to work under.

In some parts of the country, the per capita consumption of fish is less than 2½ pounds.

Senator TUNNELL. I would hate to have to eat 2½ pounds of some of the fish.

Mr. TRIGGS. I am glad to hear you say that, because quality enters into it to a marked extent. That is one thing we are battling all the time.

That is one thing, unfortunately, that has worked to our disadvantage during the war, because there was no such thing as grading as to quality. You can grade as to size, but not as to quality. So there has been no incentive to take care of fish because every ton of ice you bought was money out of your pocket.

Senator TUNNELL. The gist of your testimony is, you think that processing and even distribution should be excluded from this bill, is that right?

Mr. TRIGGS. Yes.

I would say inasmuch as we have had this up with General Fleming and had a series of meetings and interpretations, and the fact that this has been sustained, the exemption on fresh fish, I think it should remain as is.

Now there has been some question about bookkeepers, for instance, or watchmen, such as that, which would not be in the same category as the man who dresses the fish, or even the shipping clerk who has the handling of orders in receiving and shipping. There has been a line of demarcation drawn there.

Senator TUNNELL. Your idea is that same line of demarcation should be continued?

Mr. TWIGGS. I would say it should be continued as is.

Naturally, I am very much interested at the present time from the distributor's standpoint, because I represent a distributors' organization, but that is after having had the broader experience of being on the producer end as well.

Senator TUNNELL. Thank you, Mr. Triggs.

The meeting is adjourned subject to the call of the Chair.

(Whereupon, at 11:35 a. m., the hearing was adjourned, subject to the call of the Chair.)

APPENDIX

EXHIBIT 1

DEPARTMENT OF LABOR,
WAGE AND HOUR AND PUBLIC CONTRACTS DIVISION,
New York, N. Y., November 20, 1945.

Hon. JAMES M. TUNNELL,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In accordance with the request of the subcommittee of which you served as acting chairman that I comment on the testimony given before the committee, I am submitting the attached statement for inclusion in the record of the hearing on S. 1349. My comments fall into two categories: (1) Comments relating to criticisms of the Division's administration of the present Fair Labor Standards Act; and (2) comments dealing with criticisms of the legislation proposed in S. 1349.

Respectfully submitted.

L. METCALFE WALLING, *Administrator.*

Statement of S. R. Nichols, Representing the National Cotton Compress and Warehouse Association, October 9, 1945

One significant over-all comment on this statement is that it contains no discussion of compressing. Attention is directed exclusively to warehousing and ginning operations and cotton farmers' operations. About one-half of the 22,000 employees in compressing establishments are engaged in compressing operations.

Statement—"* * * those gins, warehouses, and compresses located in the area where cotton is produced have not been required to pay either the minimum wage or overtime," since, "Heretofore section 13 (a) (10) has exempted all employees engaged in the handling, storing, ginning, or compressing of cotton in the area of production."

Comment—Section 7 (c) provides an exemption from the overtime provisions of the Act to employees in any place of employment where their employer is engaged in the ginning and compressing of cotton. Section 13 (a) (10) provides that "any individual employed within the area of production (as defined by the Administrator), engaged in * * * ginning, [and] compressing * * * of agricultural or horticultural commodities for market" is exempt from both the minimum wage and overtime provisions of the Act. It seems clear that the overtime exemption contained in section 7 (c) in respect to ginning and compressing would have no meaning if *all* employees engaged in those operations were exempt under section 13 (a) (10). The Supreme Court, in *Addison* v. *Holly Hill Fruit Products Inc.*, stated: "To hold that all individuals 'engaged in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products' are exempt from the operation of the Act is obviously to fly in the face of Congressional purpose. The Act exempts some but not all of the employees engaged in these industries. * * *"

All cotton gins and all but one cotton compress are located in counties that produce cotton. Obviously, I would be flying in the face of congressional intent if I defined the "area of production" so as to exempt all of the gins; and I hardly think the Congress would have made the exemption for cotton compresses contingent upon "area of production" for the sole purpose of eliminating one compress from the exemption. Proximity to a cotton field is not the only element in the definition. The Supreme Court said: "The textual meaning of 'area of production' is thus reinforced by its context: 'Area' calls for delimitation of territory in relation to the complicated economic factors that operate between

agricultural labor conditions and the labor market of enterprises concerned with agricultural commodities and more or less near their production."

In view of the boundaries within which the definition of "area of production" is confined by the Congress and the Supreme Court, it is a misleading statement to say that "it can be truthfully said that none of the employees in these occupations have been subject to the act." Aside from the fact that not all of the employees were exempt under the invalidated definition previously promulgated, it is impossible for me to define the "area of production" in such a way that all employees would be exempt.

The association charges me with showing myself "totally unwilling or incapable of formulating a definition of the area of production for cotton." It states that as early as May 1941 the Federal courts had declared the Administrator's definition void insofar as it pertained to cotton, and that "every court, without exception, passing on the definition in relation to cotton has invalidated it." The association does not state that the definition passed upon by the courts applied to all agricultural commodities, and that some Federal courts did support it. Good administration of the law requires a constancy and stability in regulations, not continual change as one court holds the regulation invalid and another declares it a proper exercise of power. The persuasiveness of the Divisions' previous position on "area of production" and the consequent desirability of delaying change prior to a definitive ruling by the Supreme Court, is evidenced by the fact that four members of that Court cast their votes in favor of the definition.

As I stated when I appeared before your committee on October 4, any definition of "area of production" is bound to be unsatisfactory from an economic standpoint. The only sound solution is to eliminate the "area of production" concept completely from the act, as S. 1349 proposes.

Statement.—The Secretary of Agriculture testified that the S. 1349 will not increase the cost of farm products to the consumer. The association cites this statement, and asserts that either the farmer or the consumer will bear the increased labor costs; since warehouses cannot absorb the cost, the conclusion is reached that the farmer will bear it.

Comment.—Actually, the Secretary of Agriculture stated that improved farm technology will increase at a rapid rate in the years ahead because of improved varieties of plants, greater use of power machinery, and greater use of machines to cut the heavy labor requirements at harvest time in the cotton and other fields. Hence, it may be presumed that some part of the increased costs will be absorbed through lower production costs on the part of the farmers.

In view of the increased price received by farmers and the increased price paid by consumers—the seasonal average price received by farmers per pound of cotton rising from 8.6 cents in 1938 to 17.93 cents in 1941 and 21 cents in 1944—it is impossible to make a categorical statement that the farmer will bear the cost.

Statement.—The cotton farmers will have to absorb $8,000,000 immediately and $12,000,000 in a short time if the minimum rate is raised to 65 and 75 cents an hour.

Comment.—In 1943, cotton farmers received more than $1,000,000,000 (after ginning charges had been deducted) for their cotton. The percentage decrease in their income, even in the unlikely event that they absorbed the entire increase, would be extremely small.

Statement.—The average farm wage in the United States in 1943 was $2.96 per day and for the Cotton Belt, excluding California, $2.57 per day. Forty cents an hour is a very high rate for skilled farm labor in the Cotton Belt. Warehouses and gins will attract the labor they need from the farmer, thus implying that the farmers will be short of labor.

Comment.—The 1945 figures, which are readily available, indicate an average wage of $4.48 per day for the United States in July 1945. In the important cotton-growing States the rates ranged from $2.20 in South Carolina to $5.10 in Arizona, with $7.80 in California, the State excluded in the association's figures. Following are the daily rates without board for approximately a 10-hour day in the important cotton-growing States for July 1945:

North Carolina	$3.20	Louisiana	$2.70
South Carolina	2.20	Oklahoma	4.85
Georgia	2.50	Texas	4.25
Tennessee	2.60	New Mexico	4.50
Alabama	2.60	Arizona	5.10
Mississippi	2.55	California	7.80
Arkansas	3.00		

According to testimony at the recent "area of production" hearings, cotton pickers were earning $10 to $12 a day for about a 10-hour day, or $1 to $1.20 per hour.

Since warehouses and gins apparently now employ the labor they require, it would not appear that more labor would be taken off the farm. Furthermore, warehouses and gins customarily pay more than farmers do for labor, except for picking labor, so that it does not appear that any new elements are added. In this connection it may be remarked that 85 percent of the noncompress warehouses employ fewer than seven workers and the average gin generally employs five to seven workers during the peak. Compresses are larger, approximately one-fourth employing less than 40 workers, one-fourth employing 40 to 50 and one-third employing 50 to 100 workers. It is apparent that most of the farm workers are unable to find employment in the warehousing and ginning industries and so must work on the farm if there are no other employment opportunities.

Statement.—Labor costs of producing cotton are 60 percent of total costs, and if farmers raised their wages to 50 cents per hour in order to meet the competition offered by the 65-cent and time-and-one-half scale of the gins and warehouses, their costs of production would equal or exceed the sales price of cotton.

Comment.—In view of the fact that gins and warehouses customarily pay higher rates than those paid for farm labor, it is doubtful that farmers would have to raise their wages to the extent indicated by the association, if at all. Since farm rates in many cotton-growing States are now well above 30 cents per hour, the statement that the cost of production would be equal to or exceed the sales price appears to be unfounded for a good part of the country. At the price of 21 cents per pound for cotton, labor costs would have to increase by 67 percent in order for the total costs of production to equal the selling price. (Sixty percent of 21 cents equals 12.6 cents labor costs per pound of cotton, 21 cents minus 12.6 cents equal 8.4 cents increase in labor costs for labor costs to equal cost of production. The 8.4 cents increase results in 67-percent increase in cost of production.) This is on the doubtful assumption that there is no profit to the farmer when cotton is selling for 21 cents per pound, and on the premise that all other costs will not change. An increase of 67 percent in the wage rate would result in a 30-cent-per-hour rate being raised to 50 cents per hour. Hence, in any area in which the farm wage rate is higher than 30 cents per hour, an increase in rate to 50 cents per hour would be less than the 67-percent increase in labor cost. In those areas, the farmers' cost of production would still be less than the price he receives for the cotton. These computations do not take into account any increased productivity which may result from more efficient use of farm labor and greater use of machinery and equipment if the wage rate is increased. It is well-known that when the cost of labor is increased, attempts are made to substitute machinery for labor and to utilize labor more efficiently in order to get the lowest total costs.

Statement.—The farmer will be forced to compete against himself for labor, since there has been a rapid increase in the number of cooperatives engaged in ginning, warehousing, and compressing.

Comments.—I have no data readily available concerning the extent of cooperative operation in these fields. Since the number of employees in warehouses and gins is small, it would not appear that there would be much competition for labor. Furthermore, these cooperatives are in direct competition with the privately owned establishments, and if the association's implied argument that cooperatives should be exempt prevails, the privately owned establishments would be at a competitive disadvantage. It will be recalled that in the cooperative field as a whole there are many very large enterprises which do not differ significantly, except for the occupation of the "stockholders," from other enterprises in the same industry. When the farmer hires labor in his capacity as part owner of a cooperative warehouse, he is entering the labor market just as is the commercial warehouse, and the same protection should be afforded the labor that he hires.

Statement.—The industry will either dry up and vanish or materially restrict its services on a high cost level, as farmers will perform their own warehousing services if the service charges are increased. It is also stated that 10 percent of the production is stored on the farm prior to sale.

Comment.—The figure of 10 percent represents the percentage of cotton not sold immediately after ginning that is stored on the farm. The same reference cited by the association reports that 40 percent of the cotton crop is sold immediately after ginning (p. 12 of the reference cited), so that the 10-percent figure is really 6 percent of the crop. No data are readily available on the

number of farms that produce 6 percent of the cotton in the United States, but it is likely that it is considerably less than 6 percent of the farms.

In view of the fact that warehouses probably perform the services at less cost than when performed by the individual farmer, as shown not only by the fact that they exist but also according to appendix D of the association's statement, it is unlikely that any considerable number of farmers will take on the job of warehousing their own cotton because of a small increase in the cost of commercial warehousing. According to the association's estimate of $8,000,000 increase in costs if a 65-cent minimum wage were established, the average increase in cost, based on the 1944 cotton production, would be 66 cents per 500-pound bale. The increase in costs if a 75-cent minimum were established would be 98 cents per bale. This extreme figure is based on the assumption that the warehouse cannot pass on any of the increased costs and cannot effect any operating savings. Even if there would be no increased productivity in the future, it does not seem that it would pay many farmers to do their own warehousing for this small saving. Furthermore, the producer generally desires to obtain a negotiable warehouse receipt which is considered first-class collateral at banks, and thus has another reason for storing his cotton in the commercial warehouses.

Statement.—Mr. Nichols was also sharply critical of past industry committee procedures, particularly as they affected the cotton compressing and warehousing industry. Mr. Nichols maintained that the committee under whose jurisdiction cotton compressing was placed was also directed to recommend minimum wage rates for a large variety of other products and operations which bore no conceivable relationship to each other and that the committee's deliberations were perfunctory.

Comments.—The Fair Labor Standards Act of 1938 directs the Administrator to appoint as soon as practicable an industry committee for each industry or group of industries engaged in commerce or the production of goods for commerce with a view to reaching as rapidly as is economically feasible without substantially curtailing employment the objective of a universal minimum wage of 40 cents an hour.

In order to carry out this mandate from the Congress, I decided in 1943, after it was apparent that a 40-cent minimum was economically feasible for most if not all industries covered by the act, to expedite the industry committee procedure by having groups of related industries considered by one committee wherever practicable. Accordingly, the cotton compressing and warehouse industry was grouped for wage order purposes with a number of other homogeneous industries which handle or process agricultural commodities.

This policy resulted not only in very substantial economies in administration but also in considerable savings in manpower and travel at a time when the Nation was severely strained by the demands of war. Furthermore, it advanced the attainment of the ultimate objective set forth in the act by more than one year. That the procedure was entirely successful and did not discriminate against any group is attested by the fact that I have received not a single complaint that the 40-cent minimum resulted in substantial curtailment of employment in any industry or section thereof.

Moreover, the fact that an industry for which a single committee is appointed may have a large number of products and operations included within the scope of its definition does not signify any lack of consideration of the problems peculiar to any particular branch. On the contrary, past experience has shown that in many cases it is more feasible for a single committee, after hearing all the evidence, to classify the various branches of a broad industrial group and set appropriate rates for each such classification than it is for the Administrator to isolate and define each small industry in advance. Likewise, an appropriate relationship between the minimum wages for two competing industries is more apt to result from the consideration of the evidence by a single committee, representative of both industries, than by separate committees not thoroughly familiar with the economic position of competitive industries.

Although the sessions of industry commitee No. 62 for the fruit and vegetable packing and farm products assembling industry were completed within one day, all interested parties were afforded ample opportunity to present evidence before the committee. The fact that a maqority of the employer representatives as well as all of the employee and public representatives signed the report of the committee recommending a 40-cent minimum indicates that the record under the circumstances fully justified the rate voted by the committee.

Mr. Nichols also asserted in his statement that "the Administrator had prepared and presented to the industry committee precisely the recommendations he wanted written out to the last comma." The fact is, however, that neither I nor any member of my staff exerted the slightest influence on the committee's judgment so far as the recommendation of any particular minimum was concerned. Apparently, Mr. Nichols was misled by the fact that in order to expedite the proceedings, the Divisions prepared in advance sample reports which incorporated the correct legal terminology but left blank spaces for the rate or rates which the committee might recommend. These sample reports, however, were equally appropriate for any minimum which might be voted and could not have influenced the committee in the exercise of its own independent judgment.

Statement of Clyde S. Bailey and J. C. Crowley, Jr., Representing the United States Independent Telephone Association, October 9, 1945

Statement.—The association recommended that section 13 (a) (11) of the act be amended to extend the exemption of switchboard operators employed by public telephone exchanges with less than 500 stations to operators employed by exchanges having less than 1,000 stations. Without such amendment, the increase in labor costs because of the higher minimum wages will compel many of the independent companies to curtail their service, to convert as soon as possible to dial operation, and to increase rates for telephone service. The small independent exchanges operate principally in small communities where the cost of living is low, and the exemption is necessary to permit them to continue their present mode of operation.

Comment.—When the act was amended by the inclusion of section 13 (a) (11), in 1939, the Divisions recommended that the exemption be limited to operators of exchanges having less than 350 stations. Data obtained at that time indicated that such a limitation would provide exemption for those exchanges which would be impossibly or unreasonably burdened by the act. The relevant facts do not appear to have changed materially since that time.

There are 14,000 exchanges with less than 500 stations, 10,000 of which are independent exchanges. These 14,000 exchanges employ an average of two operators per exchange. Since there are 12,000 independent exchanges altogether, five-sixths of them are under the present exemption for exchanges with less than 500 stations. Exchanges with 500 to 1,000 stations are considerably larger than those with less than 500; the 1,600 exchanges with 500 to 1,000 stations employ an average of nine operators per exchange. Fifty percent of these exchanges are independently operated. A substantial number of small exchanges are operated as contract offices, in which the agent is often furnished with living quarters, heat, and light, and works on a part-time basis. No exchange with more than 500 stations is operated on a contract basis.

In view of the fact that many exchanges with less than 500 stations, which have been exempt from the act since 1939, have been changed over to the dial system, it appears that other factors may be more significant than wages in determining whether this action will be taken. It seems to me the industry should be able to submit objective evidence of its contentions, particularly in view of the fact that the same points were advanced in opposition to the 40-cent minimum wage. Information should be obtained as to the actual effects of adjusting to the 40-cent minimum.

Statement of R. B. Bowden, Representing the Grain and Feed Dealers National Association, on October 9, 1945

Statement.—Section 13 (a) (10) should be retained in the act for the grain handling industry.

Comment.—I have previously recommended to this committee that section 13 (a) (10) be eliminated from the act, and that section 7 (b) (3) be used to permit some exemption from the overtime provisions for industries that operate all year round but which have sharp fluctuations in the volume of commodities handled. Such a procedure would serve the needs of this industry, as shown by Mr. Bowden's statement that his chief concern "obviously is more with overtime than with the hourly rate before overtime." The industry would have to make some adjustment in off-season hours of business to avoid added costs in overtime pay, but these adjustments do not appear unmanageable. Other changes may be needed with respect to the working hours of many "second-men" and of those managers who do not qualify for overtime exemption as executives under the

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present regulations (pt. 541), even during the busy season. These changes may cause some difficulty occasioned mainly because of traditional practice rather than the physical requirements of handling grain.

Statement of James W. Haley, Representing the National Coal Association, October 10, 1945

Statement.—The association objected to the increase in the minimum wage, asserting that the higher minimum will put the coal industry at a competitive disadvantage with other fuels and that many "subproductive" workers who cannot earn 75 cents an hour because of physical disability, age, or lack of effort will become unemployed.

Comment.—In view of the relatively high average hourly earnings in the industry, it is probable that the minor increases required to bring the earnings of all employees up to the minimum would have little effect on the selling price of coal. It is also probable that the number of workers whose production is "substandard" is comparatively small, and it may be expected that productivity will increase when hours of work are reduced to their normal peacetime level and older workers, who are in active employment because of the severe wartime labor shortage are replaced by younger men released from the armed forces .

Statement.—The association recommended amendment of the act "to give automatic exemption to any employee who is employed on a guaranteed compensation basis of $10 per day, $50 per week, or $225 per month." This action is urged on the ground that the act is fundamentally a "wage law."

Comment.—This view ignores the purposes of section 7 (a) of the act, to increase the cost per hour of employing workers more than 40 hours in a workweek, and thus to encourage the employment of more workers and also to give workers the benefit of a reasonable amount of leisure time. The work-spreading incentive of section 7 (a) will be of particular value during reconversion, when there will be an unavoidable decline in operations and employment from their high wartime levels.

There is at present provision in the act for the exemption of employees engaged in work of such a nature that the premium pay for overtime would have little work-sharing effect. Section 13 (a) (1) exempts employees who are engaged in bona fide administrative, executive, or professional capacities, as these terms are defined by the regulations of the Administrator. Regulations 541 contain these definitions, which at present include, among other criteria, a minimum salary of $30 a week for executive employees and of $200 a month for administrative and professional employees.

Statement.—Another amendment proposed is one which would define "work time" to include "only time spent by employees in performing services for which they were employed." This amendment is intended "to avoid repetitions of the difficulties which have arisen in the coal mining industry concerning travel time."

Comment.—This amendment is no longer necessary since the confusion with respect to travel time has been clarified by the Supreme Court. The court has made it clear that underground travel should be considered part of an employee's total working time. The industry has adjusted to this basis of compensation and there is no necessity or justice in reverting to the old practice under which employees spent hours in underground travel on behalf of his employer without any compensation.

Statement.—The association recommended an amendment to provide that "any claim for liability under the act may be compromised, settled or released by agreement with the parties affected thereby, at any time."

Comment.—It seems obvious that adoption of this amendment would encourage the unscrupulous employer in the use of coercion and undue influence to obtain from their employees agreements or releases whereby they could avoid full payment of wages due under the act. In addition, the very employees whom the act is especially designed to protect would be placed in an unfavorable bargaining position and might lose much of the benefit to which the act entitles them because their employers would be in position to withhold full data concerning the amounts due, and in the normal case would be more fully informed concerning the provisions and interpretations of the act than would the employees. The amendment would not be consistent with the declared purpose of the act to eliminate labor conditions whose existence constitutes an unfair method of competition in commerce and interferes with the orderly and fair marketing of goods in commerce.

Statement of William T. Jobe, Representing the National Association of Ice Industries, October 10, 1945

Statement.—One of the basic difficulties which the ice industry faces in adjusting to a higher minimum wage is the competition within the industry between firms subject to the act and those not covered because they are engaged in intrastate commerce. Approximately 42 percent of the 5,200 establishments in the association are engaged in the production of goods for interstate commerce, primarily through the sale of ice to railroads and other shippers. Few establishments engage solely in this type of business and they compete with noncovered firms for the local business of supplying ice to domestic, commercial, and industrial customers. The volume of interstate business performed by any one company may be as little as a fraction of 1 percent of its total business, with the general average at 7 or 8 percent.

Comments—The condition of the ice industry with respect to competition between intrastate and interstate producers emphasizes the need for a reconsideration of the basis of coverage under the act as I proposed in my 1944 annual report to the Congress and in my testimony presented at the hearings on S. 1349. Since establishments subject to the act because of their interstate sales also engage in intrastate business, many of them are competing with noncovered firms for a major portion of their business. Coverage on an industry basis or in terms of firms competing in interstate commerce would obviously be more equitable in industries of this sort.

Statement—Mr. Jobe stated that ice producers who engage in some interstate business "do not know how much ice they may be allowed to supply the channels of interstate commerce and still not subject their total establishment to coverage of the act. The Administrator has never taken a definite position on this question and the courts are miserably divided in their views."

Comment—The general position of the Divisions on this question is set forth in Interpretative Bulletin No. 5, issued November 1939, which states that where an employee is engaged in the production of any goods for interstate commerce, the amount of the employer's business which is in interstate commerce, or the relationship which it bears to his total business is immaterial in determining whether the employee is covered by the act during any particular workweek. While a number of court decisions have sustained the Divisions in this position, some courts have applied the common-law maxim of de minimis no curat lex in interpreting the act, with varying determinations as to the amount of interstate commerce required. The Divisions, in following the rulings of the courts, have had to apply the coverage provisions of the act in accordance with the judicial districts involved until a definitive ruling is obtained. As Administrator, I have no authority under the terms of the act as it is presently written to issue a ruling on how much interstate commerce an employee must engage in to be covered, nor what proportion of his employer's business must be of an interstate nature. If such authority were delegated to the Administrator, so that an employer would be protected from criminal or civil liability when he follows the Administrator's rulings, the period during which a definitive court decision is sought would present no hardship.

Statement of Dr. Claudius T. Murchison, Representing the Cotton Textile Institute, October 10, 1945

Statement.—The proposed bill, S. 1349, would seriously increase costs and prices in the cotton textile industry and is definitely inflationary. While the average hourly earnings in cotton textile mills was 69.2 cents in June 1945, a substantial number of mills employing a large number of workers have basic minimum wage rates below 55 cents. Increases in labor costs, which are the largest single item of operating expenses in cotton goods manufacturing, would have to be met by higher prices, since no significant increase in labor productivity may be expected in the near future. Cotton clothing accounts for about 20 percent of all clothing items in the BLS, cost-of-living index; increased textile prices would therefore substantially increase the cost of living.

Comments.—According to recent data supplied by the War Labor Board, not less than 70 percent of the employees in southern cotton mills are employed in plants having a basic minimum of 55 cents an hour and virtually all northern mills have plant minima of 55 cents or higher. A substantial number of northern mills have recently signed collective-bargaining agreements providing for a 65-cent minimum and it is anticipated that this rate will be shortly extended throughout

the North. While it is true that productivity per man-hour in cotton goods manufacturing run only 0.3 higher in 1944 than in 1939, the increase in man-hour productivity over the preceding 10-year period (1929–39) averaged nearly 5 percent per year. There seems every reason for believing this long-run trend, which was interrupted by the war, will reassert itself. Aside from the replacement of worn or obsolete machinery, the return of experienced textile workers from the armed forces will unquestionably contribute toward the reestablishment, at a probably increased tempo, of this long-run trend.

In view of the favorable profit condition in the industry and the anticipated increase in productivity, it seems likely that a considerable proportion of the additional wage bill costs can be absorbed without price increases. Moreover, even with a significant price increase in cotton textiles, the cost of living would advance only slightly, since cotton items account for only 2 percent of entire budget expenditures. I refer you, in this connection, to the statement submitted to your committee on November 2, 1945, by Mr. Chester Bowles, Administrator of the Office of Price Administration. With respect to the textile industry, Mr. Bowles stated:

"Textiles is the other of the three industries [tobacco, lumber and timber, and textiles] which raise some question on the price front. Here 47 percent of the workers were earning, in June 1945, less than 65 cents an hour. To bring them up to this proposed minimum would cost $105,000,000 a year and would add 6 percent to the wage bill. The additional costs represent a little over 12 percent of the profits earned by this industry in 1944.

"How much of such an increase would, in a competitive market, be absorbed out of profits? Well, again I leave it to you to judge. Here are the facts to go on: If the entire wage increase were to be met out of profits—here we judge by a sample of 269 corporations—they would be reduced to a level 435 percent above the 1936–39 average before taxes, and at that level would provide a return of 22 percent on net worth. This is four times the prewar return.

"Now, the prewar return was nothing to brag about. The textile industry suffered more than many others from the inadequate employment and buying power that characterized our entire economy at that time. And I am hopeful that with good sense on the part of all of us, we shall never again see the textile industry or any other, for that matter, operating under such handicaps, nevertheless, I think that when the present shortages disappear and the textile industry gets competitive again, the present profit margins will be reduced. But there is certainly some room here for wage increases before profits are reduced to unreasonable levels.

"Not all parts of the textile industry, of course, would be affected the same way, and it is perfectly possible that some price increases would result. Let me point out, however, that even if the entire wage increase were passed on, it would require price increases averaging less than 1½ percent at the manufacturing level. In the light of these facts I think we can agree that any price consequences from the increase of minimum wages in the textile industry would not be serious."

Statement.—The fixing of occupational minimum rates distorts the intent and purpose of the Fair Labor Standards Act. Besides having inflationary effects, occupation wage fixing would introduce harmful rigidity in the wage structure and would give duties to the industry committee which they could not intelligently and efficiently administer. Moreover, it is unnecessary because increases in the minimum wage for unskilled workers automatically forces increases in wage rates above the minimum.

Comments.—I have previously set forth to your committee my reasons for questioning the desirability of the occupational minimum-wage provisions of S. 1349. On the basis of our experience under the present act I do not agree, however, that the industry committees could not intelligently perform this function if provided with sufficient wage information. Nor do I agree that the fixing of occupational minima would necessarily be inflationary; its overall effects in connection with wage and price increases would probably not be greatly different from those resulting from a single minimum.

Statement of Charles W. Holman, Representing the National Cooperative Milk Producers Federation, October 12, 1945

Mr. Holman's chief concern, according to his statement, is the income of the farmer, particularly of the farmers who are members of cooperatives. He contends that the farmers' returns will be decreased if the overtime provisions of

S. 1349 are enacted but states that the association has no direct recommendation on minimum wages "provided incomes of dairy farmers are not reduced below their present levels."

Statement.—The association proposes to restore section 7 (c), with the language italicized below added:

"In the case of an employer engaged in the first processing of milk, whey, skimmed milk, or cream into dairy products: *Provided, That the addition of any necessary ingredients or the transportation of such milk, whey, skimmed milk, or cream in any form between several plants of the employer shall not be deemed an interruption of first processing,* * * * the provisions of subsection (a) shall not apply *to any employees in any such place of employment;* * * *."

Comments.—It is to be noted that this amendment restores section 7 (c), particularly the year-around exemption to such portions of the dairy, cotton, and sugar industries which meet the requirements of the section. The purpose of the added proviso apparently is to clarify the exemption in the case of such products as sweetened condensed milk and in the case of subcondenseries which partially condense milk at one plant for later completion of the process at another plant. The application of the exemption to these operations has been troublesome in the past. If section 7 (c) were to be retained I believe that the partial condensing of milk at one plant for later completion of the process at another plant should not defeat the exemption for the later operations. However, the proposed language is not very satisfactory, particularly the provision regarding ingredients. I am not suggesting a change in the language, since I believe the overtime problems of the industry can best be solved by clarification or revision of section 7 (b) (3), which, incidentally, is on an industry basis, and that the exemption in section 7 (c) should be eliminated.

Statement.—The association argues for a year-round exemption from section 7 by stressing the point that the dairy industries do not show variations in employment commensurate with the variations in the quantities of products handled. In addition, it alleges that the industries require skilled work for nearly all operations and that the need for skilled workers precludes the indiscriminate hiring and firing of production employees. The association also argues that when occasional bad weather or other causes result in delayed delivery of milk, the workweek is lengthened by this delay and that frequently the workweek exceeds 40 hours as a result. "This is particularly true in the winter months."

Comment.—The data used by the association showed the following average percentage increases in production, employment, and hours worked per week per employee in the peak month, as compared with the low month of the year:

	Percent increase		
	Production	Employment	Hours worked per week
Butter	92	21	3
American cheese	149	[1]	[1]
Evaporated milk	142	28	8
Ice cream	218	35	4

[1] Not given.

According to these data it appears that the plants are operating well below capacity during the months of low production. There would appear to be no reason why these plants should have an exemption from the overtime requirements of the act during these months. The small output apparently can be produced in a much shorter workweek than the plants are presently open. It appears, then that the association wants the employees in these industries to be denied the benefits of a shorter workweek for at least 6 months of the year because occasionally some overtime is required due to bad weather during the period of low production. I feel that these industries should perhaps be granted exemptions from section 7 for a 14-week period to handle peak operations but not all year round. As I indicated in my statement before the committee on

October 4, there does not seem to be any sound justification, either economic or social, for the all-year-round exemptions provided in section 7 (c) for industries that operate the year around even though they may handle perishable commodities. To provide any tolerances which may be desirable because of sharp fluctuations in the volume of commodities handled in industries which cannot expand their labor force during periods of peak production, I suggested a broadening of section 7 (b) (3). This suggestion involves a technical problem in that some of the industries, such as the dairy industry, for which overtime exemptions are now provided under section 7 (c), would not qualify for the section 7 (b) (3) exemption. The regulations issued pursuant to section 7 (b) (3) are based on a careful study of congressional intent, as indicated at the time section 7 (c) as well as section 13 (a) (10) was placed in the act. If it is the committee's and Congress' desire that some of the industries mentioned in section 7 (c) or section 13 (a) (10) should now become eligible for the exemption provided by section 7 (b) (3), some indication should be given of a broadened scope intended for section 7 (b) (3) in order that the Administrator may have the necessary guide for revising the regulations issued pursuant to this provision of the act. The exemption should not ordinarily apply to ice-cream manufacturing, however, since the peak season in this industry depends chiefly on the demand for ice cream rather than in the supply of raw materials.

The statement that skilled workers are required in nearly all operations does not appear to alter the conclusions drawn above. Assuming that they are in fact skilled and, parenthetically, should receive compensation commensurate with such skills, the fact still remains that the plants can probably operate within a shorter workweek during the low production months of the year.

Statement of J. H. Parmelee on Behalf of the Railroad Industry, October 12, 1945

Statement.—The railroad industry considers S. 1349 clearly contrary to the public interest. Among other things, the bill proposes a radical increase in the minimum wage which would disrupt many of the elements and relationships of the wage structure now in existence, would bear more heavily on some industries and sections than on others, and would completely wipe out the differences and distinctions in wage rates that have grown up over many years.

Comments.—While it is true that no uniform minimum wage proposal would bear with equal force on all industries or sections, a 65-cent minimum would probably narrow, but not wipe out, existing wage diifferentials. Many industries are currently paying more than 65 cents as a minimum wage and would, therefore, not be directly affected by that rate. The experience of the divisions shows that uniform minimum wages tend to narrow, but not wipe out, existing geographical wage differentials over the short-run period. Over the longer run, however, differentials which are in fact justified by economic conditions tend to reestablish themselves.

On the basis of present wage rates, the increases in productivity that will occur in the postwar period, our enhanced productive capacities and techniques, increased living costs, and the necessity of preserving purchasing power, a 65-cent minimum cannot be termed "radical." With regard to rates above 65 cents, you will recall that I have recommended that chief reliance be placed on industry committee action rather than automatic progression to 75 cents over a 2-year period. This would permit upward adjustment of the minimum beyond 65 cents in accordance with the economic capacities of each particular industry.

Statement.—The bill would not only bring about a sharp increase in minimum wages but, because of its provisions for setting occupational rates, would also project proportionate increases up the entire scale, thus effecting at one stroke and by legislation a general Nation-wide increase in wages. Regardless of the merits of such a proposal, it is extremely doubtful that the matter should be handled as a legislative problem at all. It is a question requiring comprehensive consideration which might best be delegated to determination by experts familiar with the subject.

Comments.—In my statement of October 4 before the subcommittee, I indicated my doubts concerning the propriety of the occupational minimum wage provisions of S. 1349. While I questioned whether these provisions should be retained at all, I suggested as a possible alternative that the industry committees be authorized to set minima for only a few key occupations and then only when the evidence indicates to the committee that there is serious danger of the basic minimum becoming the maximum.

Statement.—The bill is distinctly inflationary in character and will ultimately react to the detriment of labor as well as the general public. Proponents of the bill contend that it would increase mass purchasing power. While the bill would undoubtedly put additional dollars into the pockets of some workers, it would also increase commodity prices and to that extent would reduce purchasing power of other workers. "In this connection, I commend to you the suggestion made by Mr. Walling that Congress consult price-control authorities with respect to the effect of the proposed minimum on prices." The effect of prices should be considered, of course, not only with respect to the proposed minimum but also with respect to the effect of subsequent increases in the higher wage brackets. As a general rule, if wages per unit are permitted to outrun production per unit, prices will inevitably rise. In the long run, it would not benefit workers to increase wages to a level which leads to price rises and eventual inflation.

Comments.—Many items entering into the cost of living of lower paid workers would not be directly affected by an increase in the minimum wage. Moreover, many industries which would be affected by a 65-cent minimum are in a position to absorb most, if not all of, the increased labor costs which would result from such a rate. Even if there were industries which cannot absorb any part of the higher labor costs they would not have to raise their prices in proportion to the increase in the minimum, and the price increases which would be necessary to counterbalance the higher minimum would be only a fraction of the increase in the minimum itself. Thus, only a negligible part of the benefits which would accrue to subminimum workers would be absorbed by an increase in their cost of living.

Mr. Chester Bowles, Administrator of the Office of Price Administration, has recently given your Senate Committee his full views on the possible price repercussions of the 65-cent minimum. He stands unequivocally in favor of the proposed legislation as indicated by the following excerpts from but a few of his strongly worded statements:

"First, judging by our history, I should say that the long-run effects of this legislation would be to reduce prices rather than to raise them. This is because higher wages increase productivity. Second, I am satisfied that even the immediate effects in the direction of raising prices will be few in number and small in magnitude. Third, even if the price effects were of somewhat greater dimensions, I would still support the proposed revision. I say this in spite of my fear of the huge inflationary forces which confront us. Prices that depend upon sweatshop wages are sweatshop prices. No thoughtful consumer would choose to benefit through lower prices if those prices are based on substandard wages * * * the cases in which the proposed revision may entail increased prices are few and minor. There need be no hesitation on anyone's part because of the price consequences of this legislation."

Statement.—The reconversion period is not an appropriate time to institute so drastic a change in the general wage structure and enactment of the bill at this time would lead to unemployment and a reduction in aggregate real purchasing power. Fundamental economic changes of the kind proposed in the bill might possibly be carried out over a period of years, step by step, without upsetting the equilibrium between production and distribution, supply and demand, wage rates and prices. To take such a step all at once would be unwise at any time. To take it at this particular time of recoversion and readjustment when industry is trying to absorb displaced war workers and returning veterans, is particularly unwise. Sharply higher labor costs will force employers toward further mechanization thus increasing unemployment rather than absorbing additional workers.

Comments.—While higher wage rates may stimulate increased mechanization, the resulting improved techniques of production will increase the productivity of workers and thus aid the employer in absorbing the higher wages without increasing his prices. Moreover, the higher incomes accruing to wage earners will increase their purchasing power and thus stimulate the reemployment of displaced workers in producing the larger volume of goods which wage earners can consume. In addition, it should not be overlooked that increased capital investment for new machinery also provides an economic stimulus which benefits the general level of employment.

Statement.—The bill will adversely affect the railroad industry. Workers on class 1 railroads are currently receiving a minimum wage of 57 cents per hour. Pay rolls as of October 1942 adjusted to present pay scales show that a 65-cent minimum would have directly affected 255,813 of the 1,472,434 workers on the pay

roll and would have cost the railroads not less than $34,200,000. Thus, the railroads would have been encouraged to use more labor-saving machinery or in the absence of such offsetting factors, to charge higher rates for their services.

Comments.—Based on Mr. Parmelee's statement, railroad gross revenues were approximately $9,000,000,000 in 1944. An increase of $34,000,000 in total wages (or one-third of 1 percent of gross revenues) to meet a 65-cent minimum would certainly not have provided any great stimulus to higher mechanization and could easily have been absorbed out of operating profits during the war years.

In the postwar period, Mr. Parmelee estimates that gross receipts of the railroads may drop to $6,000,000,000 and employment drop to 1,000,000. If the lower-paid workers are displaced at the same rate as all workers, an increase in the minimum to 65 cents would presumably cause a direct increase in railroad pay rolls of less than $25,000,000. This figure would represent less than one-half of 1 percent of railway receipts and it is difficult to see how this increase could either lead to substantial displacement of workers or require any appreciable change in existing freight or passenger rate structures.

During the war period, the railroads have been able to achieve a remarkable improvement in their financial structures and have accumulated considerable cash reserves for investment in new and more efficient equipment. The operating economies which this new equipment and the new techniques of handling traffic make possible will no doubt be more than sufficient to absorb the small increase in pay rolls which a 65-cent minimum would repuire.

Moreover, the war period has highlighted the stake of the railroads in the achievement of high national production and income by demonstrating the full potentialities of the decreasing cost phenomenon, which is an outstanding feature of this industry. To the extent that a 65-cent minimum improves the living standards of American workers and thereby increases the volume of railway traffic the resulting decline in cost per unit handled might in itself provide sufficient margin to meet the costs which the railroads would have to incur to meet the 65-cent minimum.

Statement of Samuel Fraser, Representing the International Apple Association, October 12, 1945

Mr. Fraser's main objection to the bill is that costs would be passed back to the farmers, who are alleged to be unable to bear these costs. He asks that there be no increase in the minimum wage and no wage differentials.

Statement.—Costs of fruits and vegetables are not considered in determining the price at which they are sold. The demand and supply of apples and competitive items enter into the price the consumer will pay and apple growers cannot pass on any increased costs. All service charges between the producer and the retailer are paid for by the farmer and should carry the farm exemption because they are agriculture.

Comment.—It is impossible to make a categorical statement that farmers cannot pass on any increased costs. In analyzing the incidence of processing taxes under the Agricultural Adjustment Act, the Bureau of Internal Revenue found that in most cases the tax was passed on to consumers in the form of higher prices, or was taken from the price which otherwise would have been paid for the raw material, or was shifted partly in each of these directions; and in some instances was borne by the processors. Mr. Fraser looks only at the short-time seasonal situation, and ignores the adjustments that are constantly being made over the long run in the prices of goods and of the productive factors. The association's table II shows that the price of Delicious apples in New York City has risen from $1.99 per box in 1939 to $2.19 in 1941, and $3.62 in 1943. This represents an increase of $1,63 over the 5-year period. During the same period the cost of preparing apples for market has risen, according to the association's statement, from $1.11 in 1939 to $2.32 in 1943, an increase of $1.21. It would appear, therefore, that some of the increased costs of preparing apples for market during this period have been passed on to the consumer.

While the farmer may pay packing, transportation, selling, etc., charges in the first instance, the ultimate effect of increases in these charges may fall on the farmer only partiallly or not at all. Either the price to the consumer is raised, or if the consumer does not thing that the product is worth the higher price when labor is paid a higher wage, production decreases. While decrease in production in growing apples is difficult to achieve, because trees have a long bearing life, in the long run uneconomic orchards would be taken out of production.

The statement that packing, transportation, and wholesaling are agriculture hardly needs comment. Packing, as done in commercial establishments, has long been recognized as a facility allied to agriculture, but in many cases is industrial in character. The trend, moreover, is toward greater industrialization in packing operations. It is obvious that transportation and wholesaling are far removed from agriculture.

Statement.—The association proposes that the following paragraph be placed under section 13 (a):

"Any individual employed in an establishment, if he is engaged in cleaning, grading, packing, drying, peeling, shelling or otherwise preparing for market, precooling, refrigerating or storing of seasonal or perishable fruits or vegetables, or handling or transportation in connection with or incidental to such operations; (*a*) if he performs those operations on fresh fruits or vegetables all of which come from farms in that producing area, without regard to State lines, in which the establishment where he is employed is located, and where such commodities are, according to historical practice, normally or necessarily prepared for market. This exemption shall not apply to terminal or consumer markets where the products have been sent for distribution for consumption."

Comment.—This proposal, while eliminating the unworkable concept of "area of production" from the act, would exempt the packing industry and those engaged in preparing fruits and vegetables for market from both the minimum wage and overtime provisions of the act. As I stated before your committee on October 4, there is no reason why employees in these industries should be deprived of the fundamental protection afforded by the minimum wage. It is true that these industries are generally seasonal in character and as such may need tolerances at certain periods of the year in regard to overtime. As I have said before, I think this problem should be handled through section 7 (b) (3).

Statement.—In the course of Mr. Fraser's oral testimony he stated that the industry committees are under the thumb of the Administrator, since he can hire and fire them at will. In the prepared statement, the association recommended a revision of Section 10 of the Act "to provide adequite court review of all proceedings under this act," particularly with reference to the industry committee procedure.

Comment.—While it is true that the Administrator has the duty of appointing the members of the industry committees, neiher I nor my predecessors have in any way atempted to influence the action or recommendations of the committees. In selecting the labor and management representatives of the commitees, chief reliance has been placed upon he nomoinations of the unions and trade associations existing in the specific industries under consideration. The public members have always been chosen to represent fairly and impartially the public interest.

The Administrator has no authority to "fire" industry committee members. Under the terms of the act he must review the recommendations of a committee to determine whether such recommendations have been made in accordance with the provisions of the act. If the recommendations meet this test he must approve them and issue the effectuating wage order; if they do not, he must reject them in toto and either refer the matter to the same committee, or appoint a new one, for furher consideration and recommendations.

In regard to court review of industry committee proceedings, I believe the present provision, limiting review to questions of law and providing that findings of fact by the Administrator when supported by substantial evidence shall be conclusive, is more practicable. Should the entire proceedings be subject to court review, there would be interminable delay while the courts reviewed the complicated economic and administrative aspects of the problems involved. The delay occasioned by the substitution of court appraisal of facts below the level of "substantial evidence," as well as the delay caused by possible conflicting opinions in the various courts, could well break down the entire industry committee procedure. Proper administration of the law seems adequately assured by the present provisions.

Statement of Ira Mosher, President of the National Association of Manufacturers, October 12, 1945

Statement.—"The National Association of Manufacturers opposes the wage provisions of S. 1349 both because such a large rise in wage rates would defeat itself in inflation and because of the utter impracticability of setting wages for various job classifications.

"In manufacturing industries alone we estimate that the annual cost of rasing those below the minimum to 65 cents an hour would be $800,000,000. The bill, however, provides that existing wage differentials must be maintained so that wages of those who presently are receiving over 65 cents an hour would be increased. We estimate that this would involve an additional annual cost in manufacturing alone of $3,100,000,000. The initial cost of the bill in manufacturing industries therefore would be $3,900,000,000 per year.

"The bill also provides that within 2 years the minimum wage must be set at 75 cents an hour. In our opinion this will involve an increase of at least 10 cents per hour through manufacturing industry, which would involve an additional annual cost of $2,700,000,000. The bill therefore eventually calls for a total annual wage increase in manufacturing industries of $6,600,000,000.

"It is quite likely that eventually the coverage of the bill will greatly be extended beyond manufacturing industry alone. Eliminating agricultural and government employees we estimate that if the minimum wage legislation is extended to cover practically all industries that can be considered in interstate traffic, the annual cost of establishing the minimum at 65 cents an hour will be $4,000,000,000. The annual cost of adjusting inter-related higher rates of wages would be $5,000,000,000 making an annual total of $9,000,000,000 in the immediate future.

"The annual cost of raising the minimum further from 65 to 75 cents would be about $5,000,000,000.

"The total annual cost of the minimum wage, if extended widely throughout various industries, would be in the neighborhood of $15,000,000,000."

Comments.—While the NAM estimate of $800,000,000 as the cost of raising manufacturing wage earners below 65 cents to that level is substantially correct as of January 1944, the corresponding cost as of the summer of 1945 would have been only about $430,000,000 owing to the increase in wage rates and the decline in employment occurring between these two dates. Both of these estimates tend to overstate the direct effect of the 65-cent statutory rate on manufacturing wage earners alone since they include workers engaged solely in intrastate manufacturing. However, the Divisions have tentatively estimated that, as of the summer of 1945, the direct effect of a 65-cent minimum on all covered employees in manufacturing, i. e., including clerical and other salaried workers as well as wage earners would increase pay rolls approximately $520,000,000.

The Divisions have not estimated the additional cost which would be necessitated by the setting of differentials for various job classifications, but our experience and knowledge of industrial wage structures indicates that the NAM estimate that all workers above 65 cents would receive a 15-cent increase is far too high. Of course, the actual cost of this provision would depend to a large extent on how it would be administered, but it seems fair to say that the direct effect of this provision would be very small in industries such as automobiles and steel, which already have minima of 65 cents or more for virtually all of their employees. Moreover, even industries which would be affected substantially by the 65-cent minimum are in many cases currently paying a 55-cent minimum and assuming present differentials are appropriate, the increases to workers with higher skills would only amount to 10 cents per hour instead of 15 cents. Industries such as cotton textiles in which the increases to workers with greater skill might exceed increases to unskilled workers at the minimum are comparatively few and would not on balance counteract those in which present rates are already in line with a 65-cent minimum. Thus, the association's estimate that the bill would ultimately cause an increase of 6.6 billion dollars in manufacturing pay rolls is considerably higher than, and perhaps several times as high as, the increase which would most likely occur.

The association's estimate of the over-all cost of the bill to all industries is even more grossly inflated than the figure for manufacturing alone. The estimate of 14.6 or 15 billion dollars is based on an increase of 25 cents per hour or more to all private nonagricultural employees. Elimination of industries which are not directly affected by the act's provisons would reduce this figure by more than $4,000,000,000, and the reduction of the 25-cent-per-hour increase to all employees to allow for those whose earnings are already in line with the proposed rates, would cause a further deflation of the estimate.

The inclusion of such low-wage industries as retail trade and service trades, in which the degree of coverage is small, causes a particularly large distortion of the over-all effect of raising employees below 65 cents to that level. To illustrate, the association's estimate of $4,000,000,000 as the direct cost of the 65-cent minimum would be deflated more than 60 percent by the elimination of retailing and service trades. Moreover, it should be emphasized that all of the association's estimates are based on the wage structure existing as of January 1944, and the adjustment of these figures to reflect increases since that time would substantially reduce the cost of the proposed minima.

The NAM's fear that inflation would result from adoption of S. 1349 has been effectively countered by the statement presented to your committee on November 2, 1945, by Mr. Chester Bowles, Administrator of the Office of Price Administration, and to which I have alluded in several other parts of this letter. I have also made clear elsewhere my attitude toward the occupational minimum-wage provisions of the bill.

Statement.—Immediate postwar wage increases based on alleged gains in productivity during the war are inconsistent with current facts, past experience and common sense. During wartime the normal rate of increase in productivity in manufacturing industries is halted and as a result there is much lost ground to be regained during peacetime. Bureau of Labor Statistics figures show that there was no change in productivity between 1914 and 1919 and that for industries whose products remained fairly constant during the present war, there was an increase of about three percent between 1939 and 1944. This compares with a normal increase during a 5-year period of about 22 percent.

"It may be estimated, that by 1949 productivity will have had to make a 45- to 50-percent increase over 1945 merely to regain lost ground. If over-all wage increases are to be based on productivity increases, then a greater-than-50-percent increase in productivity would have to occur during the period 1945–49. The proposed 30- to 50-percent wage increases would require a 75- to 100-percent increase in productivity by 1949, because 45 to 50 percent would be necessary in order to regain lost ground and another 30- to 50-percent increase would be needed to offset the wage increases. Within a 4-year period output per man-hour would have to double. Common sense indicates such expectations are futile and past experience shows that they do not occur."

Comments.—It is true that productivity in the industries whose products have remained substantially unchanged during the war has increased very little since 1939 and has fallen considerably behind the long-term trend. It is definitely not true, however, as the association's argument implies, that the long-term upward trend in productivity must be maintained in order to keep wages stable. On the contrary, the normal long-term upward trend in manufacturing productivity, has, as the association points out, been the basis for the long-term increase in wage rates.

An extraordinary increase over and above the normal increase in productivity is not required in order to permit wage increases without compensating price increases. Since the rise in unit labor costs since 1939 has already been compensated by an increase in selling prices, any increase in productivity from now on should permit corresponding increases in wages without affecting selling prices. It is not necessary for productivity to make up for lost ground since selling prices have already been raised in proportion to the present higher unit labor costs and there is no implication that the proposed minimum wages should be paid from selling prices frozen at a 1939 level. Therefore, in order to permit wage increases of 30 to 50 percent by 1949, which amount incidentally is far greater than the increases that would result from the proposed bill, it is not necessary for productivity to rise 75 to 100 percent but only 30 to 50 percent, or whatever percentage would represent a normal correlation between increases in productivity and wages.

Statement of William P. Jacobs, President, American Association of Cotton Manufacturers, October 16, 1945

Statement.—Increases in the cost of living in the South do not warrant any further increases in wage rates in the southern textile industry. Average hourly earnings for the southern textile industry increased 88.9 percent during World War II from 36.3 cents an hour in September 1939 to 68.6 cents in July 1945. During the same period, however, the cost of living of wage earners (as measured by the National Industrial Conference Board) increased only 25.2 percent; the cost of living in 60 cities increased 27.4 percent; and the purchasing power of the dollar dropped but 20.1 percent. Accordingly, the southern textile worker is better able to afford a higher standard of living today than before the war.

Comments.—It should be pointed out that wages in the southern cotton textile mills have always been comparatively low. Straight-time earnings have increased about 80 percent from September 1939 to July 1945 and according to recent

data supplied by the War Labor Board more than 70 percent of the cotton-textile workers in the South are employed in plants that have a basic minimum of 55 cents an hour. Although the southern cotton textile worker is comparatively better able to afford a higher standard of living today, his earnings are still below the current cost of the WPA emergency level budget for a family of four. The fact that such a large proportion of the increases which would be required by a 65-cent minimum have already been made should make adjustment to that rate much easier. The NICB figures quoted by Dr. Jacobs on the increase in costs of living are several points lower than those reported by the Bureau of Labor Statistics. In addition, living costs for wage earners in the lower income brackets have increased proportionately more than for other classes of wage earners and in June 1945 were approximately 36 to 39 percent higher than the 1935–39 average.

Statement.—Any abnormal increases in cost of production will obviously jeopardize the future of the industry as it passes through the lean periods which are inevitably ahead, and since labor costs represent 24 to 35 percent of the mill dollar any appreciable increase in wages would seriously affect the industry. Because the industry operates on a narrow margin, increases in labor costs would necessarily mean price increases. To illustrate the point, Dr. Jacobs notes that the mill margin for print cloth increased only 2 cents per pound from 1941 to 1945.

Comments.—Although productivity per man hour in cotton-goods manufacturing was only 0.3 percent higher in 1944 than in 1939, there was an increase of more than 46 percent in the previous 10-year period (1929–39). The long-term trend, which was interrupted by the war, will in all probability, resume its upward movement. The termination of the war will mean the return of experienced textile workers and the replacement of obsolete machinery which will unquestionably contribute toward the reestablishment of the long-term trend.

While it is true that mill margins increased comparatively little between 1941 and 1945, the association failed to point out the exceptionally large increases in margins that occurred between 1939 and 1941. The monthly average mill margin for 17 standard constructions of unfinished cotton cloth increased 65 percent between 1939 and 1941 and the over-all wartime increase from 1939 to 1945 was more than 75 percent. These increased margins over the raw material costs were reflected in the very favorable profit conditions of the industry during the war.

Further information on the possible effects of the proposed legislation with respect to the textile industry is given in my previous comments on the statement of Dr. Claudius T. Murchison, of the Cotton Textile Institute.

Statement.—Increases in textile wages in the South would upset the economy in farming regions where the workers would be attracted to the factory.

Comments.—The southern cotton textile industry has always been competing with the farmer for labor and increases in wages would help the mills to obtain more efficient workers. Moreover, now that the war has ended, it is unlikely that the agricultural labor shortage will continue for long, particularly in the South where the trend toward mechanization of cotton cultivation is expected to gain in momentum.

Statement.—The cotton-textile industry is in process of liquidation in America, as evidenced by the steady decrease in total spindles since 1920–23.

Comments.—In this connection it is interesting to note, that although the total number of active spindles has decreased, the total number of active spindle hours operated in this country has been higher during this war than during any other period. The total number of active spindle hours in 1942 was 34 percent higher than in 1923 when the number of active spindles reached a peak. Since 1942 total active spindle-hours have been declining, due in a large part to the inability of the industry to attract new labor because of the relatively low wages. Nevertheless, the average number of active spindle hours for the first 8 months of 1945 was still 11 percent above the 1923 average. Thus, the industry has been able to reduce its overhead costs by operating at a much higher ratio of capacity than in earlier years. Moreover, even the smaller number of spindles were capable of producing the greatest quantity of goods ever turned out by the industry and all of the wartime demand could have been satisfied with existing equipment if the industry had been able to man the machines.

Statement.—"If the Government continues its publicly announced policy of low tariffs it will be difficult to protect the textile workers of America against the low price labor of the Japanese, Chinese, Brazilians, the Europeans and many other nationalities."

Comments.—It is generally recognized that it will require a considerable period of time for the major competing nations to reach large scale production and satisfy their own internal needs for cotton textiles. Our own crying demands will give full outlet for the production of American mills during the immediate post-war period. The reestablishment of productivity trends mentioned earlier will facilitate the adjustment of the industry to the proposed new minimum and preserve its normal competitive relationship with foreign producers.

Statement.—The proposed differentials between wage classifications is tantamount to the fixing of a wage structure. "Such an undertaking would inevitably cause many embarrassments for the United States Congress and * * * might result in great harm to the workers, as well as to the industry which they serve."

Comments.—The association's concern over the occupational minimum wage classifications proposed in S. 1349 is unquestionably exaggerated. However, as I have indicated in my own statement before your committee, there appear to be valid reasons for questioning the desirability of adopting the bill's full provisions in that respect.

Statement of Clarence J. Bourg, Vice President, American Sugar Cane League, October 19, 1945

Statement.—The American Sugar Cane League opposes an increase in the minimum wage because of the inability of Louisiana sugarcane processors to operate successfully under the squeeze between minimum wage rates and strict control over prices. A survey conducted by the Louisiana State University covering 1944 operations showed that 19 of the 29 mills studied experienced an average net loss of almost $18,000 or about 3 percent of investment. "The survey established the fact that a majority of the processors lost money and the industry averaged out a loss." Based on the experience of the 19 mills which lost money in 1944, the statement shows the increases in the losses which the mills would suffer under higher wage rates. Under a 65-cent minimum, and a 25-cent increase to all employees, the 1944 loss for these 19 mills would have averaged almost $52,000, or about 11 percent on investment; at a 70-cent minimum and a 30-cent increase in rates, the loss would have averaged almost $59,000; and at a 75-cent minimum and a 35-cent increase, the loss would have averaged about $66,000. Even higher losses would have been experienced if the present exemption under section 7 (c) were removed and the industry were to operate under section 7 (b) (3) based on the assumption employees would have worked an 84 hour week.

Comments.—The league's analysis was confined to mills already operating at a loss and naturally an increase in wages would increase the loss if all other factors remained the same. However, the association's estimate of the size of the increase seems exaggerated since mills operating at a loss are not likely to preserve existing differentials between all occupational groups. Moreover, there are 66 raw sugar factories in Louisiana and nothing is said concerning the profit experience of the other units except that 10 of them are known to have been making some return on their investment. In addition, this survey was confined to one crop year and the operations for this particular period are not claimed to be typical. The fact that the Louisiana sugar industry has expanded significantly since the 1920's would indicate that 1944 was not an average year. It is to be noted that the number of pounds of raw sugar made per ton of sugarcane was lower in 1944 than in any year since 1932. The 150 pounds of raw sugar obtained per ton of cane in 1944 is 7 percent less than the average of 162 pounds for this period, and 12 percent less than the maximum yield of 171 pounds obtained in 1939. It is possible that if the yield had been typical in 1944, the firms represented in the survey would all have shown profits. In addition, many integrated sugar companies make their profit from agricultural and other operations rather than from milling and are thus able to continue in business indefinitely despite the fact that one particular phase of their integrated operations is not profitable. Since we have no information on the accounting and cost allocation methods used, we are unable to determine why this segment of this industry operated at a loss during the generally profitable year of 1944. In 1941 it was estimated that about one-third of the sugar milled in Louisiana was grown by the factory owners themselves.

Since the demand for sugar greatly exceed the supply and will probably continue to do so for the next few years, it is apparent that such losses in the sugar industry as may exist are not due to depressed market conditions. If the industry is able to demonstrate that it cannot operate profitably under present ceiling prices, it is reasonable to presume that some increases would be granted on the basis of a higher minimum.

Statement.—The league asks that the 7 (c) exemption for sugarcane processing not be eliminated from the act, for these reasons: (1) It will make it necessary for the industry to hire additional workers; (2) it will be difficult for the industry to find the additional workers which it will need; and (3) it will add to the industry's cost of production.

Comments.—Since the industry is now operating on an 84-hour week, it would be necessary to increase the labor force by 50 percent in order for the industry to operate within the 7 (b) (3) seasonal exemption now available, if overtime penalties are to be avoided. This would require a change from the present two 12-hour shift system to three 8-hour shift system. While there was a scarcity of labor in the cane sections of Louisiana during the war, it does not appear likely that this situation will prevail in the postwar period. It is highly probable that sufficient labor for three-shift operations will be available for the next season, which starts in October 1946. There appears to be no reason why the three-shift system of operation will add to the industry's cost of production, but on the contrary, it will probably decrease the costs to the extent that labor will be more efficient when working shorter hours. Such savings would be partly offset, however, during those few years in which the season exceeds 14 weeks in length by the overtime pay required to compensate for hours in excess of 40 per week. When requesting a seasonal exemption under section 7 (b) (3) the industry stated that the season extended from October to early January, a period of somewhat less than 14 weeks.

Statement of T. B. Gittings, Assistant Vice President of the Western Union Telegraph Co., October 19, 1945

Statement.—Mr. Gittings, in requesting that S. 1349 should be amended so as to render its minimum wage provisions inapplicable to messengers under 18 years of age employed principally in the pick-up and delivery of telegrams and letters, implied that the Administrator has capriciously refused to grant subminimum rates for his company's messengers under the present act.

"When the present act was under consideration, Congress evidently recognized that, in fairness to the telegraph companies and without serious prejudice to the national policy which Congress was about to adopt, our messengers might well be exempted to some extent from the general minimum; and at the request of the telegraph companies, and in order evidently to afford them some relief in this respect, a provision was inserted in the act authorizing the Administrator to permit the employment of 'messengers employed exclusively in delivering letters and messages' as such wages lower than the general minimum as he might prescribe. In practice it turned out that this attempt to afford us relief failed of its purpose. *The Administrator refused to avail himself of the authority for two reasons: First, because the authority was conditioned on a showing that it was necessary to prevent curtailment of opportunities for employment, and he took the position that we could not get along without the messengers; and secondly because, in the face of the manifest intent of Congress to relieve the telegraph companies, he ruled that it could not be said that our messengers were employed exclusively in delivering letters and messages.* Technically this is true. Messengers are frequently summoned by call box or telephone, and when they go out of the telegraph office we do not know whether the customer wishes them to pick up a telegram or letter or perhaps to take his brief case to the railway station or perform some other errand service. Ninety percent of the time it will be a telegram, but it may possibly be one of the other services." [Italics supplied.]

Comments.—For the purpose of evaluating Mr. Gittings' criticism, I should first like to draw your attention to section 14 of the act, which specifically sets forth the conditions under which the Administrator may permit employment of messengers at subminimum rates:

"The Administrator to the *extent necessary in order to prevent curtailment of opportunities for employment*, shall by regulations or by orders provide for (1) the employment of * * * *messengers employed exclusively in delivering letters and messages*, under special certificates issued pursuant to regulations of the Administrator, at such wages lower than the minimum wage applicable under section 6 * * * as the Administrator shall prescribe. * * *" [Italics supplied.]

The Western Union Telegraph Co. has on two different occasions requested an exemption to permit the employment of messengers at subminimum wage rates. The first time was in October 1938, when the company based its request

on its alleged inability to pay the statutory minimum wage of 25 cents an hour to its messengers without curtailment of opportunities for employment. At that time the application was denied because the company did not meet the requirement established by Congress that the exemption be granted only to "messengers employed exclusively in delivering letters and messages" and also because the company could not show that the subminimum wage requested was necessary to prevent curtailment of opportunities for employment. The earnings of the Western Union Telegraph Co. and the expansion of its business in the years since 1938 have sustained the accuracy of this decision.

Again in 1944, the company requested an exemption from the 40-cent wage order minimum for its messengers. At this time the company was able to show that the messengers were employed exclusively in delivering messages and letters but it was unable to establish a reasonable basis for finding that a subminimum wage was necessary to prevent curtailment of opportuinities for employment. I might add that at that time 45 percent of the company's messengers were between 50 and 80 years of age, whereas 10 percent were 15 years old and only 2 percent were between 16 and 21 years of age. The company's net income after taxes in 1943, the year preceding the establishment of a 40-cent minimum wage for this industry, was $7,235,008. Last year its net income after taxes was $7,657,392. These facts seem to me to show conclusively that the decision to deny authority to pay less than 40 cents an hour was based on an accurate appraisal of the facts relating to the standards imposed by Congress on the Administrator's action.

Since Mr. Gittings does not contest the factual basis of the two decisions cited above, his criticism is in the last analysis directed against my conforming with the express terms of the statute.

In my judgment, the exemption provided for messengers in the present act should not be widened through amendment. The restriction of the application of a possible exemption to messengers employed exclusively in delivering letters and messages was originally incorporated to prevent the exemption from applying to the vast number of other types of messengers engaged in industry as a whole. In view of the objectives envisaged by the act, such a restriction appears both wise and necessary. Moreoer, I strongly believe that the provision permitting the granting of subminimum rates only when it is necessary to prevent curtailment of opportunities for employment should be retained.

As a final comment, I can see no justifiable basis for the complete removal of messengers under 18 years of age from the minimum wage provisions of the act. Should the Congress decide to revise the messenger provision the most that should be done is to establish a lower guaranteed minimum for juvenile messengers than the 65-cent minimum being considered.

Statement.—The company cannot afford the burden of a 65-cent minimum since its establishment would cause a direct increase in the company's annual pay roll amounting to $10,938,000, not including the spiraling effect of an increased minimum on wage levels above it, or increased social-security taxes. In 1944, when gross revenue was at an all-time high, earnings before taxes amounted to $13,637,392. The added cost of $10,938,000 resulting from a 65-cent minimum would have left $2,629,392 before taxes in 1944, and in prewar years this would have wiped out the net earnings and brought about sizable losses.

Comments.—While we do not have adequate information on the company's operations with which to contest its cost figures, it is a known fact that the rate of turn-over of personnel is exceedingly great, and it is very difficult for the company to hire efficient workers because of its low wage rates. It is believed that a 65-cent minimum would enable the company to attract more efficient employees as well as to cut its labor turn-over significantly.

It should also be noted that subsequent to the preparation of the company's statement on S. 1349, the War Labor Board handed down two decisions affecting the company's employees. On October 17, 1945, the Board ordered the establishment of a 55-cent minimum hourly rate for all the company's experienced employees outside the metropolitan New York area, except foot and bicycle messengers for whom the Board ordered a starting rate of 45 cents an hour and 50 cents after 30 days. For the metropolitan New York area, the regional war labor board's decision of October 23, 1945, which the company has since indicated its intention of appealing to the National Board, granted a general increase of 10 cents an hour, established a 65-cent minimum rate for all non-messengers, and a 55-cent minimum for messengers. On the basis of these new wage rates, the direct wage bill increase necessary to meet the 65-cent minimum would be considerably less than that shown in the company's statement.

Statements of Messrs. John B. Lawrence and Peter T. Beardsley Representing the American Trucking Associations, Inc., October 25, 1945

Statement.—Mr. Lawrence, in discussing the interpretation of the exemption provided by the present section 13(b)(1) of the act, referred to "the great amount of confusion and disastrous liability that is being visited on our industry by administrative distortion of the intent of Congress." He further stated:

"The exemption ran to those employees over whom the Interstate Commerce Commission had jurisdiction. The Interstate Commerce Commission contrary to the time honored course followed by Federal bureaucracy began to deny jurisdiction over as many classes of employees as they conveniently could. On the other hand the Wage-Hour Division moved in on the situation and grabbed control right and left, with constantly changing 'interpretations' of law which would arouse envy of many of the bureaus of the defeated Axis governments."

Mr. Beardsley's comment, while they appear to be directed chiefly to criticism of the interpretation of the exemption by the courts, including the United States Supreme Court, also refer to "so-called 'interpretations'" of the Administrator "which neither the Fair Labor Standards Act nor the Interstate Commerce Act gave him the power to make, and which he himself admits are not binding." Mr. Beardsley stated that by these interpretations, which "are constantly being revised," the Administrator "has helped to further muddle a situation which, without added mischief, was thoroughly confused already." He stated, "Of course, the all-too-often forgotten tax payer paid the bill for the Administrator's trip into legal territory not granted him by the Congress."

Comments.—It is true, as I stated to the subcommittee, that the Administrator has no power to issue authoritative interpretations of general provisions of the act. On the other hand, as the Supreme Court has pointed out, the Administrator "is obliged to reach conclusions as to conduct without the law, so that he should seek injunctions to stop it, and that within the law, so that he has no call to interfere." As was stated more at length in the First Annual Report of the Administrator to Congress on page 8, these interpretations have been issued in response to public demand for information about the law and in recognition of the fact that persons subject to the law should be forwarned of the criteria necessarily adopted by the Administrator for the guidance of himself and his agents in the work of administration and enforcement.

Mr. Beardsley refers to the fact that Interpretative Bulletin No. 9 relating to the section 13(b)(1) exemption has been revised five times. As pointed out by the Supreme Court, this act, unlike some other Federal legislation, "puts upon the courts the independent responsibility of applying ad hoc the general terms of the statute to an infinite variety of complicated industrial situations" *Kirschbaum* v. *Walling* (316 U. S. 517). The Administrator's first interpretation of this exemption was made public in an interpretative bulletin and was reported to Congress in the Administrator's First Annual Report on page 24. This interpretation was based on the Administrator's best judgment after studying the legislative history of the exemption since there was at that time no judicial guidance. When the Supreme Court indicated that this interpretation was in one respect incorrect, it was, of course, changed. Such subsequent changes as have been made have likewise not been the result of administrative whim or caprice, but have been necessitated by rulings of the courts. Surely it cannot be seriously contended that Congress intended the Wage and Hour Division to be unresponsive to appellate and Supreme Court decisions interpreting this exemption, among others.

It is true that the exemption in its present form is extremely difficult to apply, and that a number of points of interpretation have not yet been finally settled by the courts. I had situations such as this in mind when I recommended to Congress that the Administrator be given power to make regulations necessary or appropriate to implement the act's provisions and to protect employers from any civil or criminal liability where they were complying with such regulations. With respect to this exemption, as I indicated to the subcommittee, the provisions of S. 1349 would serve to make its scope more definite and to eliminate what is now "no man's land" between the two acts. I believe, however, that the basic solution to the problem is not, as suggested by Mr. Beardsley, a broadening of this exemption, but is rather its elimination. Although both Mr. Lawrence and Mr. Beardsley appear to feel that this would discriminate against the trucking industry in favor of the railroads, I think it proper to mention that railroad employees who are not at present entitled to overtime under this act were, early in 1944, awarded increases in wages which included amounts approved under the stabilization program as a wage adjustment in lieu of weekly overtime pay. I need hardly add that as a matter of principle there is merit in the suggestion that the railroad and motor carrier industries be treated identically and that I should naturally not object to elimination of the overtime exemption now available to the railroads.

Statement.—Mr. Lawrence refers to litigation apparently in the case of *Keeling* v. *Huber & Huber Motor Express, Inc.*, western district of Kentucky, decided January 30, 1945, as an instance in which the Wage and Hour Division "reached the high point of distortion" and was "successfully attempting, by interpretative legerdemain, to stem the progress of more than 20 years in automotive maintenance practices."

Comments.—It was held in this case that employees rebuilding motor-vehicle parts to be held in stock and subsequently installed in repair operations on vehicles used in interstate commerce do not come within the exemption as employees directly affecting safety of operation of motor vehicles in interstate commerce—the only employees for whom the Interstate Commerce Commission has power to prescribe qualifications and maximum hours of service (*United States* v. *American Trucking Assns., Inc.*, 310 U. S. 534). In fairness I think it should be pointed out that this case arose as the result of an employee suit filed under section 16 (b) of the act and that the Division in no wise participated in such suit, although it subsequently followed the ruling laid down by the court on this point.

Statement.—Mr. Beardsley criticizes the Supreme Court's holding that overtime must be paid on the regular rate, not the statutory minimum (in *Overnight Motor Co.* v. *Missel*, 316 U. S. 572), as an instance of the usurpation of legislative power by a judicial body.

Comments.—This decision of the Supreme Court supported the consistent administrative interpretation of the overtime provisions of the act, and I think it proper to point out that there is no discernible basis for Mr. Beardsley's statement that prior to this decision "it had been generally assumed that if the aggregate wages paid in any workweek equaled the minimum wage for the statutory hours plus time and one-half such minimum for all overtime, the act had been complied with." Not only was such an assumption directly contrary to the administrative interpretation contained in the Division's widely circulated Interpretative Bulletin No. 4 and in the Administrator's First Annual Report to Congress (p. 12), but, as was carefully pointed out by the Supreme Court, it was contrary to the explicit language of the act and to the legislative history. Moreover, the great majority of the Federal district and appellate courts had already indicated that such an assumption was unjustified, even before the Supreme Court passed upon the question.

Statement.—Mr. Beardsley speaks of the "conflict between the Interstate Commerce Commission and the Administrator regarding jurisdiction over employees of motor carriers," which he appears to feel results from the administrative interpretation that an employee who spends the greater part of his workweek in work which is not subject to the Commission's jurisdiction is not exempt from the overtime requirements of the act.

Comments.—This position was adopted because it was believed that Congress did not intend the exemption to be available as a vehicle to exempt employees who spend the greater part of their time in work other than that which forms the basis of the exemption. It was felt that this was a reasonable position where exemption was dependent upon the jurisdiction of another Government agency. This position was adopted as a result of court decisions indicating its propriety, and has been sustained by other courts since that time. It is significant in this connection that the respect to other exemptions the courts have frequently held that the performance of any nonexempt work during a workweek is enough to defeat an otherwise applicable exemption. See, for example, *Fleming* v. *Swift & Co.* (41 F. Supp. 825, affirmed, 131 F. (2d) 249 (C. C. A. 7)); *Walling* v. *Bridgeman-Russell Co.* (6 Wage Hour Rept. 132); *Sykes* v. *Lochmann* (132 P. (2d) 620); *Gaskin* v. *Clell Coleman & Sons* (5 Wage Hour Rept. 581); *Walling* v. *DeSoto Creamery & Produce Co.* (57 F. Supp. 938); and *Shain* v. *Armour & Co.* (50 Supp. 907). I do not think the application of this principle should be considered as in conflict with the position of the Interstate Commerce Commission. While the Commission has power to establish qualifications and maximum hours of service for motor-carrier employees performing work directly affecting the safety of operation of motor vehicles in interstate commerce under the Motor Carrier Act, the Commission does not undertake to interpret the exemption pro-

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vided by section 13 (b) (1) of the Fair Labor Standards Act. No power or jurisdiction to determine the amount or percentage of work affecting safety of operation which must be performed by any employee in a workweek in order to bring him within the scope of the Fair Labor Standard Act exemption is claimed by the Commission. It is, further, our understanding that the Commission does not maintain that it has power to prescribe the qualifications which motor-carrier employees must possess while performing work which does not affect safety of operation of motor vehicles in interstate commerce or to prescribe the maximum number of hours that they may spend in work not affecting safety of operations.

Statement.—Mr. Lawrence quoted criticism from one employer in the industry to the effect that our inspectors are browbeating or entrapping operators and trying to stimulate employee litigation.

Comments.—I can only say that no rule of conduct for our inspectors has been more strictly laid down than that they are impartial fact finders whose job is merely to ascertain violations if they have occurred but not to lead employees to believe that they have been improperly compensated if such is not the case. Any activity of the sort described in the letter quoted in Mr. Lawrence's testimony is contrary to instruction and I should be more than glad to have the name of any inspector and the occasion on which he has allegedly so far departed from the confines of his job so that proper disciplinary action can be taken.

Statement by Senator Ellender on the Effects of Increasing the Minimum Wage in the Southern Lumber Industry, October 2, 1945

Senator Ellender introduced into the record a statement purporting to show the rise in the price of lumber which would be occasioned by minimum wage rates higher than 40 cents. While it was stated that the estimates were based on cost figures of 190 sawmills in the South, an analysis of the figures given shows that the computations were made simply by applying the same percentage increase to the present ceiling price on lumber, presumably southern pine, as exists between a given minimum and 40 cents. Thus, the estimate of the total cost of lumber under a 50-cent minimum was exactly 25 percent higher than under the present 40-cent minimum, and the estimate under a 60-cent minimum was exactly 50 percent higher, et cetera.

Such a calculation fails to recognize certain basic economic facts. In the first place, labor costs are only one of a number of factors which enter into total costs of producing lumber. In 1942, for example, wages and salaries in a representative groups of southern pine mills were somewhat less than half of total production costs, and many of the other cost factors such as stumpage and depreciation would not be directly affected by an increase in the minimum. Furthermore, even the labor cost of producing lumber would not rise in direct proportion to the increase in the minimum since the vast majority of workers in the industry are currently receiving considerably more than 40 cents.

Based on a survey of the industry made by the Bureau of Labor Statistics as of August 1944, a 45-cent minimum would have required a direct labor cost increase of only seven-tenths of 1 percent for the basic lumber industry as a whole and only 1½ percent for the lumber industry in the South. Thus, the rise in total costs of producing southern pine would be less than 1 percent and 12½ percent as estimated in the statement submitted by Senator Ellender. Producers might well be able to absorb this small increase within the present ceiling price and thus cause no rise whatever in the price to the consumer.

On the basis of the same study a 50-cent minimum wage would result in a direct labor cost increase of 4.7 percent in the southern lumber industry, 0.3 percent in the northern lumber industry, and less than one-tenth of 1 percent in the western lumber industry. The corresponding figures at a 55-cent minimum are 11.2 percent for the South, 1.1 percent for the North, and less than 0.1 percent for the West; at a 60-cent minimum, 18.9 percent, 2.4 percent, and less than 0.1 percent; at a 65-cent minimum, 27.3 percent, 4.9 percent, and less than 0.1 percent; at a 70-cent minimum, 36.1 percent, 8.4 percent, and less than 0.1 percent; and at a 75-cent minimum, 45 percent, 12.6 percent, and 0.1 percent.

From these statistics it is apparent that even a 75-cent minimum would have virtually no effect upon the cost of producing lumber in the West, while a 65-cent minimum would directly raise labor costs, which represent less than half of total costs, only 4.9 percent in the North and 27.3 percent in the South. These percentages are in sharp contrast to the estimates contained in the statement introduced by Senator Ellender that a 65-cent minimum would raise the final selling price of lumber by 62.5 percent.

As further comment on the possible effect of a 65-cent minimum in the lumber industry, I call your attention to the following excerpts from the statement presented to your committee on November 2, 1945, by Mr. Chester Bowles, Administrator of the Office of Price Administration:

"The lumber and timber industry has the next highest percentage (tobacco having the highest percentage) of workers employed at less than 65 cents an hour, namely, 54 percent. The introduction of a 65-cent minimum in this industry would increase pay rolls by $67,000,000 or 9 percent, plus a few other necessary adjustments to maintain the wage patterns. Here at first glance the possibility of absorbing the cost increase would seem somewhat more doubtful. For this increase amounts to 43 percent of the industry's 1944 profits. Yet, if we may judge by an OPA sample of 25 corporations in this industry, a reduction of 43 percent in profits would still leave them 600 percent before taxes above prewar levels and would yield a return of 10 percent on net worth, or seven times the prewar average. Prewar profits were admittedly low. But it's a dramatic example nevertheless.

"Now if, when the OPA is out of the picture, competition should operate to translate this increase in wage cost into an increase in manufacturers' prices to yield the additional $67,000,000, how much of a price increase would result? The answer is 5 percent. However, we should not forget that margins at wholesale and retail are in this field relatively wide. I can't say how much on balance would be passed on to the consumer, but certainly much less than the figure of 5 percent."

Statements Regarding the Effect of the Fair Labor Standards Act on Clothing Plants in Louisiana

I should like to take this opportunity to correct certain misimpressions which have apparently arisen in connection with the effect of the Fair Labor Standards Act on the clothing manufacturing industry in New Orleans. The assertions made during the course of the subcommittee hearings that several New Orleans firms in this industry were forced to close because of the minimum wages established under the act are not borne out by the record.

In 1938, the year in which the act became effective, there were operating in the city of New Orleans some 43 factories producing men's and women's apparel and allied products such as hosiery and neckwear. Additional plants were located in the city of Shreveport. The information on file in the divisions indicates that six of these firms, all located in New Orleans, ceased operating from that time to the present date. We have attempted, so far as is possible, to learn the reasons for the closing of these plants. With respect to four, which I will discuss first, the following seems clear:

Plant A. This plant produced only for local consumption and its manufacturing operations were not subject to the provisions of the act.

Plant B. Bankruptcy was caused by limited capital and high cost of operation due to antiquated machinery.

Plant C. The widow of the owner liquidated the firm following the owner's death.

Plant D. This plant was operated as an adjunct to a wholesaling firm by a partnership conducted by a man and wife. There were no employees. The business was discontinued when the husband resumed his dental practice, which he still maintains.

It is obvious, therefore, that neither the passage nor the administration of the act was a real factor in the decision to close any of these four firms.

Such adverse criticism as has been made appears to revolve entirely around the closing of the two remaining firms, namely Leon Godchaux Clothing, Ltd., and Hirsch & Baer. Both firms were formerly engaged in the manufacture of wash suits in the city of New Orleans.

Information concerning the liquidation of Godchaux's manufacturing department first came to our attention in 1939. Claims that the Fair Labor Standards Act was responsible for this action were repeated from time to time in letters to the Division and in the course of industry committee proceedings. It is significant to note, however, that in an interview with a Division representative in 1941, Mr. Leon Godchaux denied this allegation. Quoting from our inspector, "Mr. Godchaux smiled and assured me that the requirements of the wage and hour law had absolutely nothing to do with his decision to discontinue his manufacturing operations."

Statements that the firm of Hirsch & Baer was forced out of business by the Fair Labor Standards Act are equally without foundation. In this instance, too, the claim has been repeated from time to time in the course of various activities of the Division. Both of the former partners of this firm, Mr. Morris Baer and Mr. Paul Hirsch, have categorically denied in statements to the Division that the Fair Labor Standards Act was the cause of the closing of their firm. In December of 1940 Mr. Baer stated the competitive situation in the industry [seersucker suits] and personal requirements were the primary reasons for the discontinuance of the operation of the firm of Hirsch & Baer. Similarly, the following is quoted from the inspector's notes of a conversation with Mr. Hirsch:

"My partner was 70 years old, had accumulated a nice income through investments upon money realized in the business we conducted and was anxious to retire. Likewise I was also thinking of retirement as I had also acquired a comfortable income from the source of our business. In 1940 Mr. Baer decided to retire; we therefore decided to liquidate the business. My decision not to reorganize or carry on alone was based on the fact that materials were becoming hard to procure in 1940, and I did not feel that I could operate without an experienced partner such as Mr. Baer had been, thus I agreed to the liquidation. You have asked me specifically if the minimum wage had any bearing on our decision to liquidate. In answer I will say that we were paying a 40-cent minimum in 1940, and were anxious to increase it upward somewhat but were unable to do so because of the prices we were receiving for our product. I will emphatically state that the 40-cent minimum and overtime provisions of the Fair Labor Standards Act had no bearing on our liquidation and will further furnish any other information to this effect if you need it."

In further connection with the New Orleans situation, I think you will be interested in knowing that at least three new apparel plants opened in that city in the years following the passage of the act and that all of these plants have continued in operation.

We have found in our experience, almost without exception, that statements attempting to show that the act had an unfavorable effect on certain plants or industries were based on insufficient or inaccurate information. Even where some evidence is presented which might indicate that the act did have some effect there is no certainty that other and more basic reasons were more directly responsible, such as, for example, inefficiency of operations, lack of materials or workers, new conditions brought on by the war, the existence of such low wages previously as to make operations impossible under any decent standard. At any rate, so far as this particular situation is concerned, there is certainly not the slightest doubt that causes other than the Fair Labor Standards Act were controlling.

I am gratified, in a way, that this ghost of the past has again been revived, since it seems to me that the time has finally come to lay it once and for all.

EXHIBIT 2

STATEMENT ON MINIMUM WAGES BY CHESTER BOWLES, ADMINISTRATOR OF THE OFFICE OF PRICE ADMINISTRATION, TO THE SENATE COMMITTEE ON EDUCATION AND LABOR, NOVEMBER 2, 1945.

Your committee has requested my views on the proposed legislation which would raise minimum wages of all workers in interstate commerce to 65 cents an hour. In preparing this statement I have considered your request from three viewpoints.

First, in my capacity as Price Administrator, charged with the responsibility of holding down the cost of living and maintaining a stable level of prices.

Second, as a Government official concerned with the future health of our economy and the achievement of high minimum level of security for all of our people.

Third, as a former businessman who is fully familiar with the workings of the profit system, and who believes that our free-enterprise system offers the best hope for a sustained high level of production with prosperity for all of our citizens.

Let me state clearly at the outset that in my opinion the 65 cents minimum wage for all workers in interstate commerce proposed in this bill, is wholly

reasonable. In fact, I believe it is imperative for the health of our economy that it be enacted into law.

The proposition underlying this bill is that any business operating across State lines must provide a wage scale that allows a decent minimum living. We long ago refused to allow a minority of businessmen to ignore safety in the construction of their plants. We long ago required them to guard their workers against accidents. We do not let industry ignore the public health in its sanitation systems. And in 1938 the Congress decided that it is against the public interest for business to operate on the sweat of exploited workers. Any employer so inefficient that he could stay in business only by paying sweatshop wages—like the employer who could stay in business only by operating an unsafe plant—was told that he did not belong in business.

This bill does not establish a new congressional policy. It merely reaffirms an established policy. In my view that policy cannot be reaffirmed too strongly. It is a national disgrace that today, when our national production and income are at peak peacetime levels, there should still be millions of Americans who exist on pitifully low wages—wages that mean malnutrition for the breadwinner's family, wages that eat steadily into the health and efficiency of the worker himself.

This bill is intended to take a major step toward removing that disgrace. It is unfortunate that it cannot cover a wider field. The levels which it establishes for 2½ million workers in interstate commerce will by competition bring some improvement to 20,000,000 others in retail trade, laundries, restaurants, and other low-paid occupations. In my opinion, however, we must hasten the day when comparable protection is extended to every American worker without exception.

The principle of the minimum wage has been established. The only question is its application to present conditions—how much the statutory minimum needs to be raised to fit conditions as they are today.

What is proposed by the bill is a revision of the minimum statutory wage level from 40 to 65 cents an hour and, 2 years hence, to 75 cents an hour. Why is this revision called for?

In the first place, the 40-cent minimum was scarcely a living wage when it was established in 1938. To an employee working 40 hours a week, 52 weeks a year it gave only $832 a year. That's a miserable wage for a worker living alone. It's an impossible wage on which to ask a man to raise his family.

It was only because of the fact that wages actually as low as 10 cents an hour were then being paid in some areas that a minimum of 40 cents an hour was felt to be the most that could be accomplished by one stroke of legislation. After 7 years it surely is time to reexamine the problem.

Furthermore, the economic developments during these 7 years would make it necessary to reconsider the satutory minimum even if it had been wholly satisfactory in the first instance. The real value of the statutory wage has been sharply reduced by higher living costs.

As a matter of fact, one-half of the proposed immediate increase is necessary to equal the increase in BLS index of consumer price entering the cost of living. Since 1938 the prices paid by moderate income families in our urban areas according the the official index have increased some 30 percent.

This increase has been largely halted since May 1943, and it's a vastly better record than that of World War No. I. However, let's remember that the prices measured by the index in 1938 were not the prices that submarginal workers paid.

Before the war they eked out a living at the bargain counter. They bought the clothing that had been passed over by other customers because of unattractiveness or unserviceability. They bought the foods which were a glut on the market or which were marked down just before the close of business to avoid spoilage. They lived in dilapidated dwellings without even a decent minimum of medical care.

Moreover, even when these workers were not actually sick, they could not hope to buy enough of the protective foods to maintain health and efficiency. They couldn't buy enough milk, eggs, oranges, or meats. The result was a deterioration of health and vigor among the lowest third of our population—a result spread on the selective-service records of rejections of draftees for physical unfitness.

During the war all the bargains, the spoilage sales and the substandard prices disappeared. Demand was too great for any part of consumers' purchases to be made at bargain prices. Besides, as everybody knows, much standard merchandise in the low-price class has largely disappeared during the war. Thus, when we come to consider the rise in the cost of living for the low-paid workers, we cannot go by the Bureau of Labor Statistics cost of living index, which admittedly measures only the changes in prices for average income families.

Some people will say that while that was true during the war it won't be true much longer and that these bargain prices will return once more. In a peacetime economy there will always be bargains, of course. But let me remind such objectors that the bargain prices which enable millions to eke out an existence in 1939 were a development of the scarcity economy we had before the war, with its unemployment going hand in hand with its embarrassing surpluses. I earnestly hope that we have put such days behind us. In any event, I do not believe we should set minimums at levels so low that men can live on them only by buying left-overs.

An increase of 30 percent in the cost of living would call for a rise from the 40 cents prewar minimum to 53 cents, even if we assume 40 cents to have been adequate in the first place. If we take into account the disappearance of cheap, left-over merchandise, of spoilage sales in our food stores on which our substandard workers depended, a rate comparable to the present 40 cents would be close to the 65-cent proposal.

When we take these factors together—the inadequacy of the original level and the disproportionate rise in the cost of living for the lowest paid workers since the enactment of the original statute—we find, it seems to me, an emphatically convincing case for adoption of the revision now proposed.

But the case for the proposed revision does not rest entirely upon these considerations of a basic minimum of fair treatment for American workers. The proposed revision is good economics, too.

If there is anything that is clear from history, it is that wages, high production, and good profits go hand in hand. High production makes possible high wages. It is equally true that high wages are essential to the movement of production to even higher levels, with sustained profits for management. It's common sense that the worker who has money for good food, for recreation, and for self-improvement is a more efficient, better satisfied worker than one without such advantages.

That is why the countries that have high wages are without exception the countries that have high labor productivity. In whatever countries, or in whatever sections of a country you go, where you find sweatshop wages, there you find that labor productivity is low, profits are low, and the living standards of employee and employer alike are low. It is the lesson of our economic history that low wages drag down the whole economy, and that good wages more than pay for themselves. There is no getting around this basic proposition.

The other half of the economic case for higher minimum wages is their essentialty in providing good markets. Everybody knows that today our main problem is the development of sufficient buying power to absorb the huge amount of goods we are capable of producing.

We have licked the old problems of production and we will lick the new ones as they come up. If production is to be sustained, business must have customers—good customers, millions of good customers. We all know, too, that there is no place where increased income is translated into purchasing power in the market faster or more completely than at the bottom end of the income scale. Every dollar paid out there in additional wages is a dollar that is going to be spent on the products of American factories and American farms.

Let me say that the farmer's stake in the proposed minimum wage of 65 cents is too easily overlooked. There are even those who say that the effort of this legislation would be to bid up the farmer's labor costs and thus injure his economic position.

In my opinion nothing could be further from the truth. The farmer's great problem is not the wages that he pays for his hired help, but good markets for his products. The one thing this legislation can be depended upon to do is to expand the farmer's markets. The more purchasing power there is in the cities the greater are the markets for the farmer. That has always been true.

Income on the farm has followed with mathematical regularity the course of income in the cities. As city income rises, the demand for farm products and the income of the farmers rise with it. As city income falls, so do the demand for farm products and the income of farmers.

Moreover, the extra purchasing power which this legislation provides would be heavily concentrated on farm products. The average urban consumer devotes 40 percent of his purchases to food. But the low-income groups affected by this legislation must spend 50 percent and more of their income for food, and a heavy additional slice for clothing. The farmers would thus be a major beneficiary of the extra purchasing power which this legislation would put in the hands of low-paid workers.

People in the cities would benefit just as much. For, as everybody knows, our economy is circular. The farmer benefits from the city man's purchasing power, and the city man from the farmer's purchasing power. And the economy as a whole would be quickened by the expansion of everybody's markets and everybody's income.

These days both business and Government are exerting their every effort and spending hundreds of millions of dollars in developing new markets all over the world for the products of the American economy. But right here at our feet lies our greatest undeveloped market—a market which can be tapped to provide income and employment opportunities for everybody simply by raising the level of minimum wages.

I am not saying that we should abandon our efforts to develop foreign markets—on the contrary, it makes sense to expand them through every practicable means. But it also makes sense to develop to the greatest practicable degree the potential markets that we have here at home.

At this point, the question is properly raised as to what effect the proposed increase in the statutory minimum wage would have on prices. In a preliminary way, let me say three things:

First, judging by our history, I should say that the long-run effects of this legislation would be to reduce prices rather than to raise them. This is because higher wages increase productivity.

Second, I am satisfied that even the immediate effects in the direction of raising prices will be few in number and small in magnitude.

Third, even if the price effects were of somewhat greater dimensions, I would still support the proposed revision. I say this in spite of my fear of the huge inflationary forces which confront us. Prices that depend upon sweatshop wages are sweatshop prices. No thoughtful consumer would choose to benefit through lower prices if those prices are based on substandard wages.

But as I shall make clear in a moment, the cases in which the proposed revision may entail increased prices are few and minor. There need be no hesitation on anyone's part because of the price consequences of this legislation. And when I say this, let me call your attention to the fact that the standards which this bill seeks to establish will remain in effect long after OPA is out of business. The competitive forces of the market, rather than the decisions of the OPA, will determine whether the wage increases will be absorbed by the manufacturer and distributors or passed on to the consumer in the form of higher prices.

I am presenting a table for inclusion in the record. This table sets forth the cost which the revision of the wage standards would entail for each of 17 manufacturing industries. For all but 5 of these 17 the effect would be negligible, as is apparent from the figures. In the tobacco industry, in lumber and timber products, and in textiles, however, a more careful examination is called for. In the apparel and furniture industries, too, the figures require a closer look.

In tobacco manufacturing, 58 percent of the workers receive less than 65 cents an hour, the highest percentage to be found in any industry. If all workers below that level were to be raised to 65 cents, the industry's pay roll would rise by $14,000,000 or 11 percent of the June 1945 total. The need for adjusting wages which are now at 65 cents or above to provide a reasonable over-all wage pattern would push the total somewhat higher. How much of this will in a competitive situation—where the OPA is out of business—be absorbed out of profits? Let me give you the facts on profits as they have been running and leave it to you to judge.

In 1944, profits of the tobacco industry totalled $154,000,000. The industry's wage increase to cover the 65-cent minimum, if it was entirely absorbed by profits, would reduce this total by 9 percent. The resulting level of profits would still stand 22 percent above the industry's prewar level and would provide a return of 17 percent on net worth, compared to 16 percent before the war.

However, if we suppose that tobacco manufacturers were to receive a higher price to compensate for the higher wages, what would this amount to? Only a little more than half of the tobacco wage bill is chargeable against cigarettes. But let us suppose that the manufacturers decide to add the entire $14,000,000 increase in wages plus other resulting adjustments to the prices they charge for cigarettes alone. If $14,000,000 is spread over some 12,000,000,000 to 15,000,000,000 packs of cigarettes, it comes to about one-tenth of a cent a pack. I think we would find that wholesale and retail margins are wide enough so that even in this event consumers would see no difference in the retail stores.

There is another figure I would like to give you just for purposes of comparison. At the present time cigarettes carry an excise tax of 7 cents a pack. One

cent of that tax—just on cigarettes—yields to the United States Treasury almost exactly the amount of the total wage bill in the entire tobacco industry, or nine times the cost of raising the minimum wage for that industry to 65 cents an hour. Let me be sure that I have made this clear. I am talking about just 1 cent of the cigarette tax, not the entire tax, and not all tobacco taxes.

I must confess that I for one don't feel very comfortable when I realize how much the United States Government gets out of what the consumer pays for cigarettes as compared to what the worker gets.

The lumber and timber industry has the next highes percentage of workers employed at less than 65 cents an hour—namely 54 percent. The introduction of a 65-cent minimum in this industry would increase pay rolls by $67,000,000, or 9 percent, plus a few other necessary adjustments to maintain the wage patterns. Here at first glance the possibility of absorbing the cost increase would seem somewhat more doubtful. For this increase amounts to 43 percent of the industry's 1944 profits. Yet, if we may judge by an OPA sample of 25 corporations in this industry, a reduction of 43 percent in profits would still leave them 690 percent before taxes above prewar levels and would yield a return of 10 percent on net worth, or seven times the prewar average. Prewar profits were admittedly low. But it's a dramatic example nevertheless.

Now if, when the OPA is out of the picture, competition should operate to translate this increase in wage cost into an increase in manufacturers' prices to yield the additional $67,000,000, how much of a price increase would result? The answer is 5 percent. However, we should not forget that margins at wholesale and retail are in this field relatively wide. I can't say how much on balance would be passed on to the consumer, but certainly much less than the figure of 5 percent.

Textiles is the other of the three industries which raise some question on the price front. Here 47 percent of the workers were earning, in June 1945, less than 65 cents an hour. To bring them up to this proposed minimum would cost $105,000,000 a year and would add 6 percent to the wage bill. The additional costs represent a little over 12 percent of the profits earned by this industry in 1944.

How much of such an increase would, in a competitive market, be absorbed out of profits? Well, again I leave it to you to judge. Here are the facts to go on. If the entire wage increase were to be met out of profits—here we judge by a sample of 269 corporations—they would be reduced to a level 435 percent above the 1936–39 average before taxes, and at that level would provide a return of 22 percent on net worth. This is four times the prewar return.

Now, the prewar return was nothing to brag about. The textile industry suffered more than many others from the inadequate employment and buying power that characterized our entire economy at that time. And I am hopeful that with good sense on the part of all of us, we shall never again see the textile industry or any other, for that matter, operating under such handicaps, nevertheless, I think that when the present shortages disappear and the textile industry gets competitive again, the present profit margins will be reduced. But there is certainly some room here for wage increases before profits are reduced to unreasonable levels.

Not all parts of the textile industry, of course, would be affected the same way, and it is perfectly possible that some price increases would result. Let me point out, however, that even if the entire wage increase were passed on, it would require price increases averaging less than 1½ percent at the manufacturing level. In the light of these facts I think we can agree that any price consequences from the increase of minimum wages in the textile industry would not be serious.

In the apparel and furniture industries, the required wage increase would add only 4 percent directly to the wage bill in each case. Information on the industries taken as a whole indicate that the wage increases equal 33 percent of 1944 profits in the case of apparel and 17 percent of profits in the case of furniture.

If the entire wage increase in the apparel industry were paid for out of profits, they would still stand 157 percent above prewar levels and yield a return of 19 percent on net worth—almost exactly double the prewar rate. If the entire wage increase were to be passed through, the resulting price increase to the wholesaler and retailer would average less than 1 percent. I think the committee will agree with me that under such circumstances we can expect negligible price consequences from raising the minimum wage in the apparel industry.

The story is the same in furniture. Even complete absorption of the wage increase by the manufacturer would leave average profits 2½ times their prewar level, yielding a return of over 20 percent on net worth—more than double the rate earned in 1936–39. It is my belief that given the prospective level of profits and given the wide margin of profits prevailing in furniture distribution, the effect on retail furniture prices would not be significant to summarize.

Even if in all these cases, price increases should result from the raising of the stautory minimum, the over-all result could not be large. When taken in relation to the overwhelming volume of production for which no question of price increases can arise the effect on prices of the incrase in the minimum wage would be invisible.

There is a further factor which I have purposely neglected in my comments thus far—the lowering of the wage bill in consequence of the elimination of overtime premium pay. In all the calculations I have presented, wartime hours—those prevailing in June 1945—have been assumed. But with the reduction to a 40-hour week, and the elimination of overtime, the average cost of labor per man-hour has been cut. In the tobacco industry, this is expected to offset almost exactly half the increase resulting from the proposed higher minimum wage. In the lumber industry, three-quarters of the proposed increase would be canceled by the elimination of overtime premium pay. In textiles, the fraction is nearly as great—70 percent. In apparel the reduction is estimated at one-third. And in furniture, the reduction in wage costs is nearly half again as great as the increase resulting from the 65-cent minimum.

It is of course true that to the extent that wage rates are voluntarily adjusted to compensate for the loss of the overtime premium, this margin will not be available for raising minimum wages. The point is that, over and above the extremely favorable profit situation I have discussed, this margin does exist and must not be neglected in arriving at a full picture of the circumstances.

One final point which I have ignored in the calculation of the price consequences of a 65-cent minimum wage is the inevitable increase in labor productivity. A worker who eats three square meals a day is clearly a more effective and more efficient worker. A worker who knows that his family is assured a reasonable minimum of existence attacks his job with new energy and satisfaction. The increase in output per worker, which I believe would surely result from the proposed increase to 65 cents, would in itself go far to pay for the higher wage bill.

I hope this bill will be enacted into law and I hope that before another 7 years have passed we shall again reconsider what constitutes a decent minimum wage in the powerful American economy. For it is a question that requires continual re-examination. Not only the health of our people but the satisfactory operation of the economy itself is affected.

Even when the day has finally come when we can say that no one in all this broad land of ours subsists on an income too low for health, decency, and civilized comfort, the issue will not be closed. For as a former businessman, I say that no employer has a right to tap the markets established by other employers' high wages while he pays his own workers less than the going rate. He has no right to a free ride on the backs of the rest of us. This Nation cannot afford the drag to his substandard productivity.

Let me dwell on this point briefly for it is all too commonly overlooked. I say again, good wages not only pay for temselves but they are necessary if our economy is to be strong, productive, and vital. Again and again it is still said that raising the statutory wage minimum will reduce employment. This is a demonstrable fallacy. Raising minimum wages is essential for the raising of productivity and as productivity rises our whole history bears witness to the expansion of opportunities—job opportunities and business opportunities—that results.

Furthermore, employment depends upon markets. All the productivity in the world cannot make up for markets that are too narrow to keep factories in production and men on the job. But mass markets require mass purchasing power, and without good wages, high wages, wages which nowhere are too low, mass purchasing power simply cannot be sustained.

That is why, as production expands and national income rises, as incomes and average wages increase, we must see that the minimum wage also climbs. We must move up the floor that has been placed beneath wage rates, so that the minimum is never too far below the average. Such a revision is called for at regular intervals, and I consider it a great merit of the present bill that it looks ahead and provides now that after two years the minimum shall be further increased to 75 cents an hour.

When the Fair Labor Standards Act was passed in 1938, its minimum rate of 40 cents an hour was about 65 percent of the average of straight-time earnings in all manufacturing. Since then, as hourly earnings have risen, that standard has

declined to only about 40 percent of the current average straight-time earnings.

The proposed revision to a statutory minimum of 65 cents will slightly more than restore the relationship that prevailed in 1938. It will not yield any significant improvement over that 1938 relationship, although it was recognized by most observers at the time that improvement was needed even then.

I am not at all sure either that 2 years hence, when if this measure becomes law the statutory minimum wage will rise to 75 cents an hour, we shall find that floor proportionally nearer the average that will then prevail. For following the increase of the minimum to 65 cents a series of adjustments in the wages now at or above that level will become necessary. I have not included the cost of these increases in the calculations that have been presented, because these costs will not appear all at once and they are properly chargeable against the rising productivity that is sure to come in the period ahead.

But the increase in the minimum wage and the adjustments above the minimum level will have the effect within the next 2 years of raising average hourly earnings. When we take account of all factors that will have the same tendency, it is plain that by the end of 1947 there may be—and I hope there will be—an increase in average hourly earnings that will require a new minimum above 75 cents just to restore the margin between the wage floor and the average wage.

I regard the 75-cent provision, therefore, as a necessary protection against a new weakening of the statute, such as has taken place since 1938. This provision is properly included, therefore, in order that the next 2 years may not erase the gains accomplished by the increase to 65 cents. It is still possible that in 1947 or 1948—when, if this legislation be in force, the minimum will be 75 cents—the question will need to be examined anew.

This, let me say it again, is as it should be. In a dynamic, progressive economy such as ours, each year must see last year's record shattered. Each year our sights must be higher than they were the year before. That goes for our production, it goes for our national income, it must go, too for the minimum wage standards, which keep the economic stragglers from falling too far behind in our steady advance toward our national goal of prosperity and abundance for all our people.

TABLE 1.—*Effect of the 65-cent minimum wage on pay rolls, profits, and return on net worth in manufacturing industries*

Industry	Percent of workers below minimum, June 1945 [1]	Wage increases as percent of—		Profits before taxes, percent of 1936–39 average [2]		Return on net worth (percent) [3]		
		June 1945 straight-time payroll [2]	1944 corporation profits before taxes [1]	1944	1944 adjusted for effect of wage increase	1936–39 average	1944	1944 adjusted for wage increase
Tobacco	58	11	9.1	135	122	10.2	19.2	17.5
Lumber and timber	54	9	42.9	1,210	691	1.5	17.2	9.8
Textiles	47	6	12.1	596	524	5.4	25.3	22.2
Apparel	38	4	32.5	382	258	8.6	28.0	18.9
Furniture	37	4	17.3	339	280	10.7	29.4	24.3
Leather	30	3	15.0	304	258	8.6	22.0	18.7
Paper	30	4	5.7	408	385	5.6	18.4	17.4
Food	28	3	4.6	351	335	9.0	27.8	26.5
Stone, clay and glass	27	3	8.3	185	169	10.2	15.9	14.6
Electrical equipment	22	2	3.1	480	465	13.6	48.1	46.6
Printing and publishing	21	2	2.6	425	414	8.2	35.1	34.2
Chemicals, petroleum, and coal	16	2	1.3	222	219	9.7	17.8	17.6
Rubber	13	1	1.6	623	613	8.9	44.0	43.3
Nonferrous metals	8	1	1.3	280	276	9.8	22.2	21.9
Iron and steel	7	(4)	1.0	385	381	5.5	18.3	18.1
Machinery	4	(4)	.4	377	376	12.2	34.6	34.5
Transportation equipment				417	417	16.8	45.5	45.5
Total industries	19	2	3.5	323	312	9.7	25.4	24.5

[1] See table 2.
[2] Identical with percent increase in straight-time hourly wage rate (see table 2).
[3] Assuming the sample of 1,743 large corporations (see tables 3 and 4) to be prepresentative of the industries covered.
[4] Less than ½ of 1 percent.

Source: Wage cost data, Bureau of Labor Statistics; profits data, OPA estimates. Office of Price Administration, Division of Research, September 1945.

TABLE 2.—*Basic data on workers in manufacturing below 65-cent minimum and effect of 65-cent minimum*

Industry	Number of workers, June 1945			Straight-time hourly wage rate			Additional cost of 65-cent minimum to June 1945 wage bill	Reduction in wage bill from loss of premium overtime	Loss of overtime less additional cost to wage bill	1944 profits before taxes	Additional cost to wage bill as percent of 1944 profits
	Total	Below minimum		June 1945	With 65-cent minimum	Percent increase					
		Number	Percent								
	Thousands	*Thousands*					*Millions of dollars*	*Millions of dollars*	*Millions of dollars*	*Millions of dollars*	
Tobacco	80	46	58	.719	.795	11	14	7	−7	154	9.1
Lumber and timber	443	239	54	.774	.840	9	67	49	−18	186	42.9
Textiles	1,040	489	47	.727	.774	6	105	72	−33	871	12.1
Apparel	745	302	38	.805	.864	4	55	18	−37	169	32.5
Furniture	329	122	37	.805	.840	4	26	38	12	150	17.3
Leather	307	92	30	.819	.845	3	18	26	8	120	15.0
Paper	303	91	30	.812	.842	4	22	49	27	388	5.7
Food	996	276	28	.817	.845	3	65	142	77	1,415	4.6
Stone, clay, and glass	336	88	27	.874	.903	3	21	39	18	454	8.3
Electrical equipment	657	145	22	.963	.985	2	35	117	82	1,134	3.1
Printing and publishing	327	69	21	1.082	1.103	2	15	32	17	581	2.6
Chemicals, petroleum, and coal	746	119	16	.960	.974	2	26	135	109	1,952	1.3
Rubber	186	24	13	1.062	1.073	1	5	24	29	320	1.6
Nonferrous metals	390	31	8	.995	1.001	1	6	74	68	471	1.3
Iron and steel	1,553	109	7	1.026	1.030	(1)	15	300	285	1,485	1.0
Machinery	1,088	44	4	1.045	1.048	(1)	9	289	253	2,431	.4
Transportation equipment	2,212			1.200	1.200		(2)	483		2,501	
Total industries [3]	11,768	2,286	19	.968	.987	2	504	1,877	890	14,552	3.5

[1] Less than ½ of 1 percent.
[2] Negligible.
[3] Do not include the miscellaneous manufacturing industries (389,000 workers) as some detailed information for them is not available.

Source: Wage cost data, Bureau of Labor Statistics; profits data, OPA estimates. Office of Price Administration, Division of Research, September 1945.

EXHIBIT 3

STATEMENT BY HON. HENRY A. WALLACE, SECRETARY OF COMMERCE BEFORE THE HOUSE COMMITTEE ON LABOR ON THE BILLS PROVIDING FOR REVISION OF THE FAIR LABOR STANDARDS ACT OF 1938, TUESDAY, OCTOBER 16, 1945

Mr. Chairman and members of the committee, I am glad of this opportunity to discuss with you the revisions of the minimum wage provisions of the Fair Labor Standards Act which are proposed in the several bills before your committee. I believe that the basic principles of the existing legislation as embodied in the act of 1938 are essential to the healthy functioning of the American economy. For that reason I welcome action toward amending that legislation to bring it up to date in the light of the tremendous changes that have occurred in the economic scene in the past several years.

THE PRINCIPLES OF MINIMUM WAGE RATES

The act of 1938 established the principle of Nation-wide minimum wage rates. It provided for the progressive increase of these wage rates. And it set up an administrative framework which was sufficiently flexible to insure that the changes in the cost-price structure which resulted from the operation of the act were introduced in a manner which would not obstruct the working of the economic system. Looking backward, I believe that we can agree that the operation of the act was of general benefit to the economy.

We all recognize that every one in this country should enjoy standards of living which are sufficient at least to cover essential human needs. And we also recognize that these standards are not static, that they must be revised upwards continuously, consonant with our growing productivity and national wealth. Thus, there is at present no disagreement with the fundamental justice of improving the living standards of those in the lowest income groups.

I am convinced likewise that raising these minimum wages represents sound economics. It prevents a type of competition which relies mainly on wage cutting to achieve its ends and serves no useful purpose. Instead, it puts an incentive upon management to compete by improving its methods of production and raising productivity. The establishment of wage minima also provides new markets and leads to additional production and sales receipts from which increased wage rates can be paid without destroying profits. This is not lifting oneself by one's bootstraps. It is rather an illustration of the simple truth that the shares in the national income are not fixed, but that they depend on the total volume of national production and that that volume can be favorably influenced by proper wage policy.

While I am firmly convinced that this is the most important consideration, I am mindful of the fact that raising the wage minima does cause dislocations in the cost-price structure, and that it is of utmost importance to time the measure correctly and to provide for flexibiliy in its administration to take account of problems of industries which otherwise might be hit unduly.

THE NEED FOR AMENDING THE ACT AT THE PRESENT TIME

Several circumstances make it necessary to amend the act of 1938 at the present time.

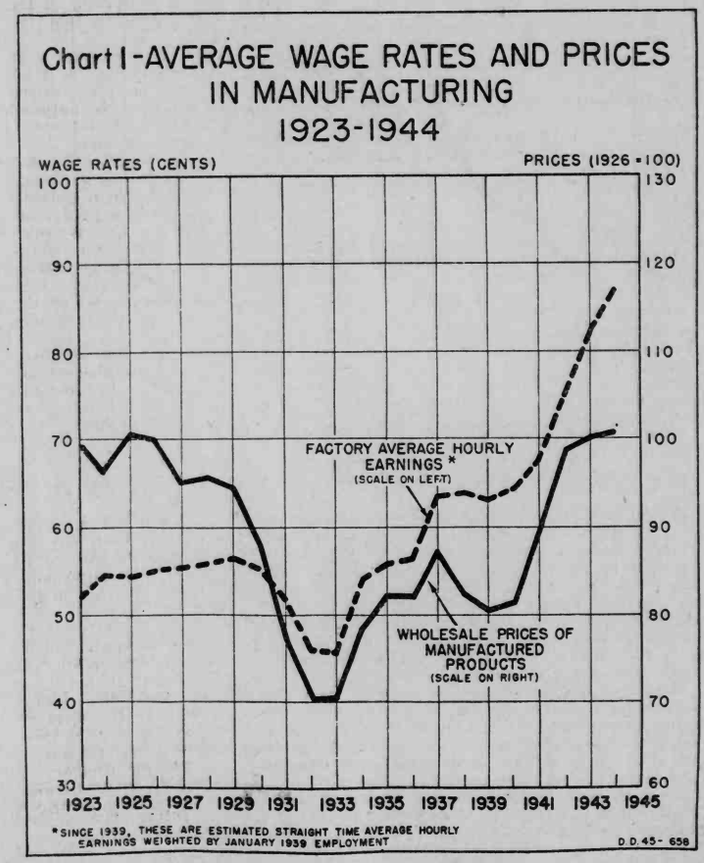
The original act provided for a national minimum hourly rate of 40 cents which was to be reached gradually over a period of 7 years, that is to say, by 1945. It is clear from the general intent of the measure that the rise to 40 cents was intended to bring about a comparable increase in real purchasing power. Therefore, it is necessary to take account of the large increase in the cost of living which has occurred since 1938.

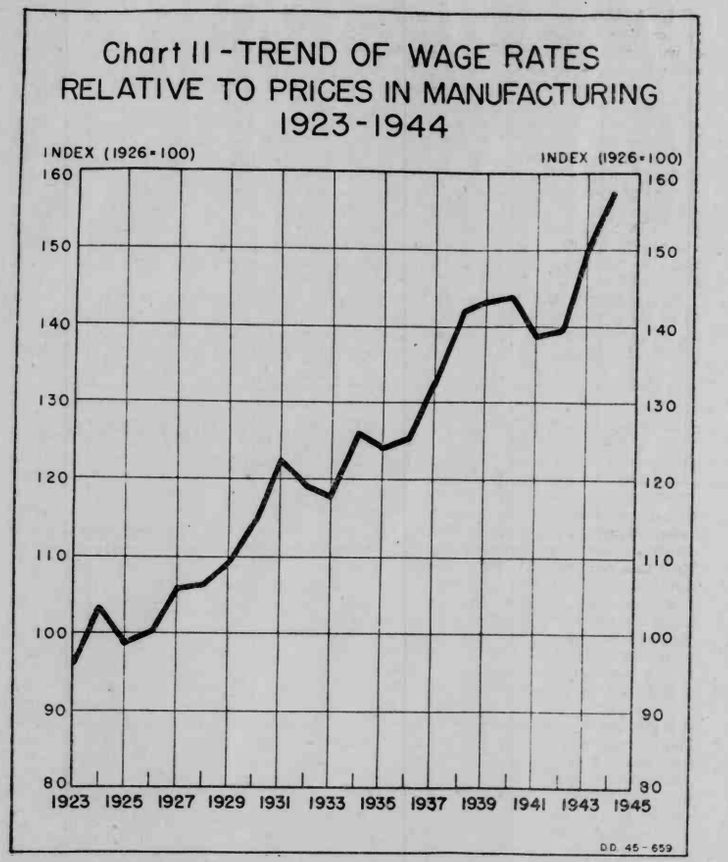
Although it is difficult to evaluate precisely the change in living costs to families affected by the minimum wage, it is estimated that the equivalent in purchasing power of the 40 cents would today be 55 cents. Therefore, an hourly minimum wage rate of 55 cents would be indicated, even if at this stage we wanted to do no more than to hold to the original objective. This conclusion is inescapable unless we contemplate a substantial fall in the level of prices in the coming years. Because of the fact that during this war the level of prices was controlled so much more effectively than during the last war, I do not see any purpose in a general deflation of prices. On the contrary, I should expect the results of a large drop in the price level to be disastrous, particularly in view of the decline which it would mean in agricultural prices and purchasing power.

The developments during the war have nullified the intent of the 1938 act in yet another respect. In view of the substantial increase in the general structure of wage rates the 40 cent minimum has ceased to be the same effective safeguard against competitive wage cutting which it would have been in the framework of the prewar structure. This consideration also calls for a substantial upward revision of the hourly minima provided for in the 1938 act.

A review of the act would be needed even in the absence of the wartime increase in wages and prices. We are living in an expanding economy. Our national wealth and productivity are increasing. Because of the American genius for continually improving production methods business has been able to absorb substantial wage increases without increasing the cost of the finished product. The fact is illustrated by chart I comparing manufacturing wage rates and wholesale prices of manufactured goods over the last 20 years. You will note that wage rates in 1944 averaged 87 cents per hour, compared with 52 cents in 1923. Prices, you can see are a shade above the 1926 average, whereas in 1923 they were a shade below.

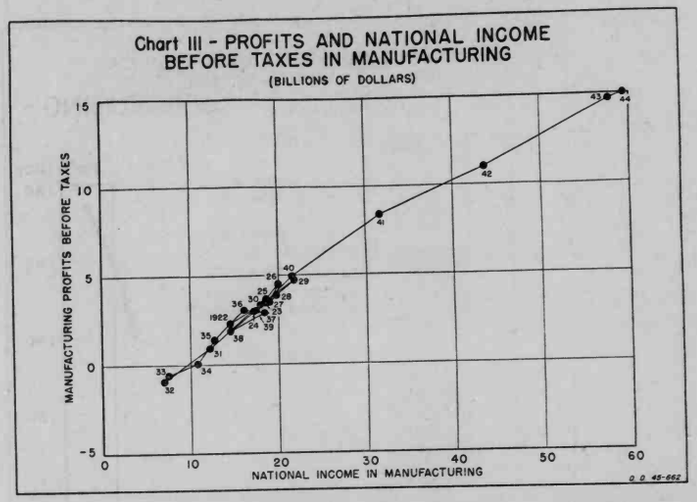
The gain can be more clearly seen in chart II which shows the trend of wage rates in relation to prices of manufacturers. There are some fluctuations due to short-term changes in prices but the general upward tendency is clear. The increase in wages relative to prices over this 20 year period was almost 60 percent.





Moreover, this increase in wage rates did not occur at the expense of profits. This you can see from chart III. The significance of this chart is that it shows, over this same 25-year period, that profits before taxes have been determined primarily by the volume of business activity. The higher the total national income produced in manufacturing, as indicated on the horizontal scale, the higher the volume of profits in manufacturing as measured on the vertical scale. This relationship between volume and profit has not been visibly affected by the increase in wage rates. For example, with the same volume of business in 1940 as in 1929, but with 12 percent higher wage rates and a 14 percent decline in prices, the volume of profits was not impaired.

Thus, the goal should now be reexamined in the light of productivity trends and cost-price relationships which I have just reviewed. Such a review would be needed even though wartime price changes had not outmoded the 40-cent minimum. The 40-cent minimum of the 1938 act was not intended as a stationary goal at which we would stop once we had achieved it. It was set as the objective for a 7-year period. This period has now expired and it is necessary to set a new goal for the coming years, taking account of the increase in our productive capacity which has occurred since 1938, and also of the vast future opportunities that are open to us in this direction under a program of intelligent action.



It is particularly important that this basic review be undertaken at the present time. During the war there has occurred a tremendous increase in mass purchasing power. Income payments to individuals have increased from 71 billions in 1939 to a peak annual rate of 165 billions in February of 1945. This increase is now due to reverse itself sharply.

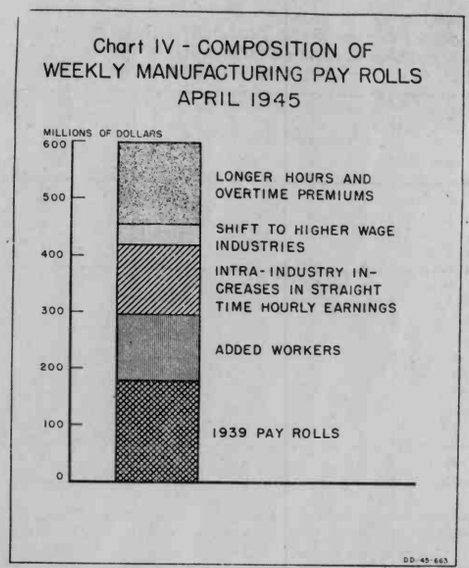
The elements which will cause a decline are indicated in chart IV which analyzes the situation in the manufacturing industries. As you can see from this chart aggregate weekly earnings of wage earners in manufacturing increased from less than 200 millions in January 1939 to almost 600 millions in April 1945. In other words, manufacturing pay rolls trebled over this period.

But to a large extent this increase was due to special wartime factors which are now being eliminated. For example, restoration of the prewar workweek and the elimination of premium pay for overtime will cut this weekly pay roll by about $150,000,000, a reduction of almost one-fourth. The reversal of other wartime trends, such as the shift to higher wage industries will cause further cuts. Only one-fifth of the increase in manufacturing pay rolls was due to the increase in basic wage rates for identical jobs, the single factor which is not automatically reduced by the cut-back in war production.

This mass evaporation of purchasing power threatens a general loss of markets which will prevent business from achieving and maintaining full employment, a full volume of sales, and an adequate level of business earnings. An upward revision of minimum hourly wage rates is consistent with a program designed to deal with the danger of income deflation which is inherent in the present situation.

But increased wage rates mean not only additional markets. They also may mean additional costs. Can the business system meet these costs and yet earn satisfactory profits? I believe it can. A progressive increase in mass purchasing power will create additional markets for consumption goods. A wage increase for the lower income groups is the one most certain to create additional demand. It will make it profitable to increase business investment beyond the volume which would have been profitable in the absence of these markets.

In an expanding economy a volume of business production and sales can be attained out of which increased wage costs can be met, still leaving a satisfactory level of profits. The profit-sales margin will be lower. But increased volume will compensate for a narrower margin. That is good business. The leaders of American industry have always recognized that production for mass markets,



high wages, and a reasonable margin of profits on a large volume of sales is the soundest way of doing business. It is of vital importance that in the years ahead we as a Nation adhere to these principles firmly.

I want to emphasize again that these considerations apply to the economy as a whole. It cannot be denied that the introduction of a new wage minimum will cause hardship to individual industries whose cost-price relations and competitive conditions are unfavorable. The problems of these industries demand serious attention but these should be recognized as special problems and treated accordingly. They cannot be used as a standard by which national policy should be guided. But every attempt should be made, through a flexible operation of the act, and through collateral Federal policies designed to encrease the efficiency and productivity of lagging sectors of our economy, to aid in the making of the necessary readjustments.

In considering these hardship cases, it seems to me that the coming period provides a particularly favorable setting for introducing revisions of minimum wages. Assuming that we are successful in dealing with the problems of the reconversion period, there are elements of strength in our economic situation. The industries which will be affected most by the upward revision are all likely to experience favorable market demand. This will allow them to make the necessary readjustments more easily than would be possible in times of less active general business.

THE PROPOSED MINIMA

In view of the increased cost of living since 1938, the even greater increase in average wage rates made possible by increased productivity, and the need to maintain buying power to absorb a high peacetime output, the proposed increases in the minimum wage to 65 cents and ultimately to 75 cents per hour are a reasonable and desirable objective.

As I pounted out earlier, a considerable part of this increase is necessary to offset the rise in living costs since 1938. But I believe that we can and that we should do more than hold the ground. With the tremendous increase in productive capacity which has occurred during the war and our firm determination to utilize this capacity fully and to maintain a continued growth of national output, it is necessary to revise upwards our appraisal of what we can afford in

the way of a minimum standard of living. I believe that all the factors make it desirable to set now a minimum wage standard of 75 cents an hour to be reached as soon as feasible. Even a wage earner employed full time throughout the year at 75 cents per hour would earn but $1,560 per year which would be no more than enough to provide a family of four with a minimum budget. Of the 33 cities surveyed by the Bureau of Labor Statistics in mid-1943, the minimum standard could be met by this amount in only 1. The more immediate minimum of 65 cents per hour would not meet that standard.

Basic wage rates have already risen by more than 40 percent since 1938 and further increases seem probable as the result of collective bargaining over the next few months. In view of this generally higher wage structure the proposed minima are not much more than enough to afford the same protection against competitive wage-cutting as that provided by the 1938 act.

As a matter of sound economics as well as equity and social justice, certain industries should not be allowed to exploit labor by paying wage rates far below these already being paid for equivalent abilities in other industries. The difference between the high wage and the low wage industries is still much more than can be justified by any real difference in the inherent abilities of the workers in those industries.

Similarly, I do not believe that when a worker moves from one part of the country to another the change in environment suddenly endows him with vast new abilities justifying a large increase in income. As a matter of fact, I have been impressed by our war experience which has demonstrated that, given the same tools, working and living conditions, and managerial supervision, there is little to choose between workers drawn from different geographic areas.

On the contrary, I suspect that the availibility of cheap labor tends to encourage the inefficient use of that labor. The resulting high costs are then used as an argument against raising wage rates. Experience under the 1938 act has demonstrated that raising the minimum wage has encouraged the use of labor-saving equipment and techniques, thereby at least partially offsetting the increase in costs. Effort should be directed toward encouraging and speeding up that process of adjustment rather than perpetuating a vicious circle of low wages and inefficient use of labor. It is time to take another step in that direction.

Our minimum wage policy must be considered also in relation to the overriding objective of full production and full employment. This country is capable of producing half again as much as our national output in the best prewar year. That productive capacity has been demonstrated during the war. The problem is one of markets. The development of mass markets for a capacity national output depends in considerable part on adequate buying power in the hands of the lower income groups.

This need for increased buying power is particularly acute in the areas where wage rates are low. A large part of the potential development of these areas lies in the increased production of goods and services for local consumption. Policies which tend to raise the level of income in those areas will encourage rather than retard expansion.

While endorsing the reasonableness and desirability of the proposed increases in the minimum wage, I am impressed with the fact that they will affect more people and will require greater adjustments of current wage rates than did the original 1938 act. It is particularly important, therefore, that the transition to the higher standards should be effected in a manner which will minimize the difficulties involved in these adjustments.

In 1938, there were very few employees in the covered industries getting less than the 25 cents per hour, which was the minimum for the first year of the act. About 5 percent were getting less than 30 cents per hour, which was the statutory minimum for the second through the seventh year and about 15 percent were receiving less than 40 cents.

At the present time about one out of five employees in the covered industries is getting less than the proposed minimum of 65 cents for the first year, about one out of four is getting less than the proposed minimum of 70 cents for the second year and about one out of three is getting less than the proposed minimum of 75 cents for the third year.

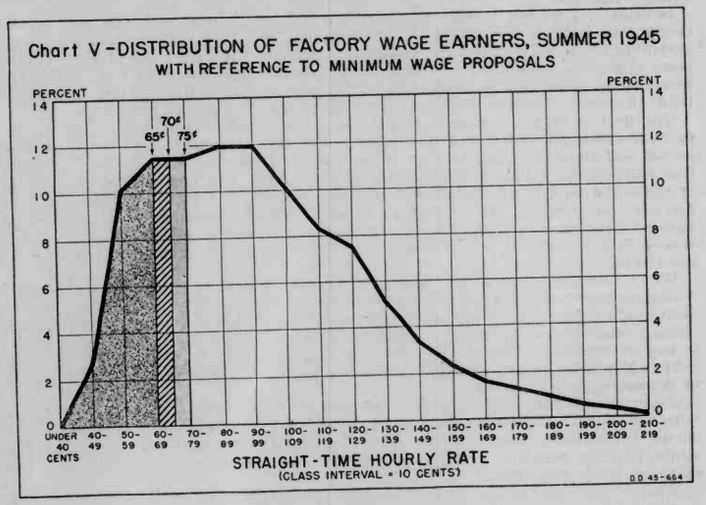
Chart V shows the distribution of wage rates in manufacturing by 10-cent intervals in the summer of 1945. The bulk of the employees covered by the act are in manufacturing. The three vertical lines show the proposed minima of 65, 70, and 75 cents for the first, second, and third years. A comparison of the

shaded areas with the total area under the curve will indicate to you the proportion of total wage earners in manufacturing that are affected.

The impact on particular industries or geographic areas is, of course, not derivable from this chart. Two-thirds of all the employees in the textile and tobacco industries are getting less than 75 cents an hour. Ninety percent of all the southern lumber workers fall below that minimum.

Also the number of persons affected is larger than the number getting less than the specified minimum. Supplementing the normal tendency toward upward adjustment of rates in the various skilled classifications in line with the minimum for unskilled workers, five of the proposed bills specifically provides for maintaining reasonable differentials.

In October 1938, the average hourly earnings in manufacturing were 63 cents. The immediate minimum was thus about 40 percent of that average and the ultimate minimum was about two-thirds. At present, the average straight-time hourly earnings in manufacturing are about 90 cents, and the proposed minima of 65 cents and 75 cents are much closer to this average. This 90 cents is comparable to the data presented in chart I and is an average weighted by peacetime, rather than war-time, distribution of employment.



While the proposed minima are higher relative to prevailing wage rates than those in the original act, it is nonetheless true that the effect on aggregate wage costs of bringing those employees below the minimum up to this level would not be large. If all wage rates in manufacturing now below 65 cents were raised to that minimum, this would increase the total bill for wages and salaries in manufacturing by about 2 percent. If all those under 75 cents were raised to that level it would raise wage and salary costs by about 5 percent. While there are exceptions, I believe industry as a whole can adjust to an advance of this size without undue hardship.

It is clear, however, that in those industries where a substantial number of the employees are getting less than the proposed minima the maintenance of reasonable differentials would result in a more general wage increase. This would result from the normal process of collective bargaining as well as the specific provisions of the bills with respect to these differentials. The effects of the minimum wage provisions in this direction should not, however, be overstressed. It is my impression that on an over-all basis the general level of wage rates will be determined by collective bargaining processes whose outcome will not be greatly affected by the precise level at which minimum wages are being set.

The fact that the bill would require substantial adjustments in a number of industries does not offset the strong arguments in favor of its enactment. I present these facts not as arguments against the proposed minima but rather as arguments in favor of retaining the flexibility of their enforcement provided in the original act.

The 1938 act allowed 7 years to reach the ultimate minimum of 40 cents per hour. The administrator and the industry committees were given the responsibility of determining how quickly this objective could be reached without substantially curtailing employment. While we can well afford to proceed faster in the present situation, I believe your committee should weigh carefully the data of those who regard the 2-year step-up as being too rapid. Perhaps the objections could be overcome by granting additional discretion, within reasonable limitations, to the Administrator and the industry committees to postpone the step-ups in those instances where adjustments cannot be worked out this promptly.

RELATION TO FOREIGN TRADE

I have been asked to discuss briefly the question of the possible effect of raising the minimum wage to 65 cents upon our export trade, since there has been some apprehension that our competitive position in foreign markets would be affected adversely by this measure. I believe that the facts clearly demonstrate that any effects of the 65 cents minimum wage upon our export trade would be of minor importance in the aggregate, and should not be a controlling factor in considering this proposed legislation. There are two aspects of our foreign trade position which leads to this conclusion.

The first of these is the general condition of our balance of payments which has prevailed for more than two decades, as shown in chart VI. During this period and right up to the beginning of the war, the top panel of this chart shows that the general tendency was for the foreign demand for dollars to be in excess of the supply available to foreign countries. In other words, the purchases by foreign countries in the United States were being limited by the amount of dollars which we supplied abroad. The competitive position of American goods was sufficiently strong so that there was a shortage of dollars abroad taking the interwar period as a whole.

What this means is that if the price of some of our goods were to rise in foreign markets within the range which might be induced by increasing the minimum wage, we would not expect a curtailment of our total exports, even though sales of some commodities might be reduced. Foreigners would continue to buy as much American goods in the aggregate as they can settle for.

I think it is apparent that in the postwar period which we now face, the shortage of dollars will be very much greater than it was before the war because of the destruction of productive capacity in other countries.

In the second place, a detailed analysis of the character of our export trade shows conclusively that it could not be significantly affected by raising the minimum wage for the reason that the overwhelming bulk of our exports of manufactured goods are produced by industries which are in the higher average wage groups.

One of the major characteristics of our export trade is that the bulk of it comes from our high-wage industries. Only a small portion comes from low-wage industries. This fact is brought out in chart VII. Here we have added up all the exports from industries where wage costs might be affected by more than 2 percent by the raising of the minimum to 65 cents, and contrasted those exports with our foreign shipments of manufactured goods.

We have used the prewar trade distribution for this comparison, because the war trade was, of course, abnormal and financed in very considerable part by lend-lease arrangements. But it is significant that less than 1 percent of our exports came from the industries whose costs might be expected to rise by more than 2 percent. Hence, we suggest that this factor should not receive much weight in your deliberations.

In summary, I consider raising minimum wages to provide a minimum standard of living an integral part of our postwar economic program. If care is exercised to minimize the difficulty of the necessary adjustments, I believe that the benefits of the bill will accrue not only to the low wage groups immediately affected. It will also contribute to a higher and more efficient output and, therefore, to the improved economic position of workers, businessmen, and farmers in general.

Chart VI

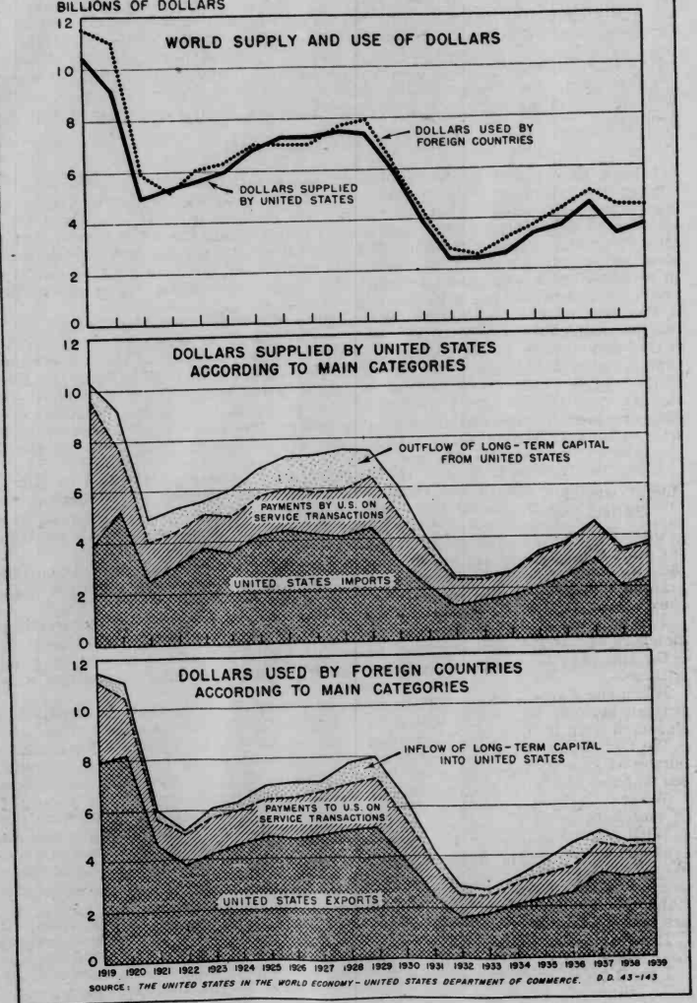


Chart VII —EXPORTS OF MANUFACTURES IN HIGH VS. LOW WAGE INDUSTRIES

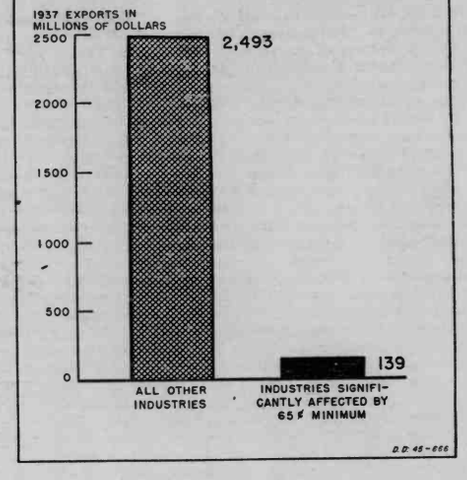


EXHIBIT 4

WAR SHIPPING ADMINISTRATION,
Washington 25, D. C., September 27, 1945.

Hon. JAMES M. TUNNELL,
United States Senate, Washington, D. C.

DEAR SENATOR TUNNELL: The receipt is acknowledged of your letter of September 19, 1945, regarding hearings on S. 1349, a bill providing for the revision of the Fair Labor Standards Act of 1938.

I shall be glad to appear before your committee at any time that suits your convenience.

I have gone over S. 1349 and have had various discussions of the bill with members of our staff.

On the general principles of the bill, I do not feel that I am a competent witness.

When the Fair Labor Standards Act was passed, Congress exempted merchant seamen because the merchant seagoing profession is unique and should not be classified with professions ashore.

We feel that it is utterly impracticable to apply the 40-hour week to seagoing personnel as at sea practically the entire crew work a 56-hour week by standing sea watches of 4 hours on and 8 hours off.

We feel that nothing has happened since the act was passed to justify removal of merchant seamen from that exemption now.

With regard to the question of wages for the merchant marine, you are probably aware that the matter was gone into most thoroughly by the National War Labor Board in August 1945, at which time public hearings were held, briefs submitted, and decisions reached and promulgated by the National War Labor Board. Enclosures covering the action of the National War Labor Board are attached for your information and that of your committee.

It is my belief that I can add nothing to these data that would be helpful to your committee.

I shall await your further instructions.

Sincerely yours,

E. S. LAND, *Administrator.*

NATIONAL WAR LABOR BOARD,
August 31, 1945.

PRELIMINARY STATEMENT IN MARITIME CASES

On July 19 and 20, 1945, the National War Labor Board held a public hearing on 17 maritime cases involving approximately 100,000 seamen in offshore dry cargo operations. Thirteen of these were new cases which arose on certification by the United States Conciliation Service. The other four cases involve a request for reopening of closed contracts, in view of the similarity of issues with those in the open contracts. A list of both groups of cases is attached.

The unions in the 13 cases now before the Board for decision ask for an increase in monthly base wages, and for an adjustment in overtime compensation or a further wage increase in lieu thereof.[1] They contend that the requested wage increase is necessary (1) to eliminate substandard hourly wage rates; (2) to remove inequities as between seamen's wages and wages in comparable shore-side occupation; (3) to offset loss of wages and take-home pay resulting from past and anticipated reductions in war bonuses by the Maritime War Emergency Board; and (4) to insure the adequate manning of our merchant marine.

The operators object to any wage increase on the grounds that (1) present wages are not substandard, taking into consideration subsistence furnished by the employer and other contract benefits; (2) no true comparison can be made between off-shore and shore-side occupations, but if such a comparison were attempted, seamen's earnings, including penalty overtime and other contract benefits, would compare favorably with earnings in shore-side occupations; (3) from their inception, war bonuses have been related solely to war risk; (4) a wage increase would impair the ability of the merchant marine to compete in peacetime with other forms of domestic transportation and with foreign flag vessels; and (5) no wage increase can be granted without a change in the national wage policy.

The Board believes that the facts in this case warrant the use of Executive Order 9599, issued by the President on August 18, 1945, which authorizes the Board "to approve, without regard to the limitations contained in any other orders or directives, such increases as may be necessary to correct maladjustments or inequities which would interfere with the effective transition to a peacetime economy; *Provided, however*, That in dispute cases this additional authority shall not be used to direct increases to be effective as of a date prior to the date of this order."

The major premise of the unions underlying the substandard issue is that seamen are as much entitled as any other group of American workers to a wage which will enable them to marry, and to maintain their families at a level of health and decency judged by the American standard of living. The operators do not deny this premise, but contend that present wages are not substandard, taking into consideration subsistence, penalty overtime, and other contract benefits. The same conflict exists with respect to the comparison of seamen's wages and wages in comparable shore-side occupations. Whatever equities exist in support of the unions' position with respect to these two questions have been considered in connection with the total equities in the case.

The unions' request for a shortened work week and Saturday and Sunday premium pay is supported by the adjustments made in recent years by governmental action or voluntary collective bargaining in other industries, likewise exempt from the Fair Labor Standards Act, including various forms of transportation[2] where, as in this case, the operations cannot practically be concluded at any specified time of the day or week. However, it is the Board's considered judgment, under all the circumstances of this case, that this equity should not be separately appraised but should be considered in connection with other equities bearing on the main demand for a general wage increase.

[1] The specific demands are as follows:
NMU—55 cents per hour minimum instead of the present alleged minimum hourly rate of 34⅜ cents (derived from present monthly base wage of $82.50 for assumed 240 hours) for an ordinary seaman, and 41⅔ cents (derived from present monthly base wage of $100 for assumed 240 hours) for an able seaman; present differentials between classifications to be preserved; time and one-half after 40 hours a week; time and one-half for Saturdays and double time for Sundays. The NMU also asks for the incorporation of the 100-percent voyage or steaming bonus into the wage structure, and such further increase as may be needed for a 55-cents-per-hour minimum rate.
SIU—55 cents an hour increase, 5 cents an hour in lieu of a 48-hour week. MC & S—same wage demand as NMU: Time and one-half after 40 hours a week. MFOW & W—$50 a month increase now and a further increase up to $100, to offset past and future bonus reductions; or an immediate increase of $100 per month and elimination of the voyage bonus.

The Board has given careful consideration to the operators' contentions as to the peacetime competitive problems of the merchant marine, and the union's claim that a substantial increase is necessary to keep our ships manned and to maintain morale and efficiency. In this connection the Board has also considered the possible savings in cost of recruitment and training which would result from an increase in base rates sufficient to hold men who would otherwise return to shore-side occupations.

The remainig issue arises from the reduction in take-home pay incident to reductions in war-risk bonuses, which have already occurred, and to their anticipated further reduction or complete elimination. Special bonus payments were originally instituted by collective bargaining several years prior to December 1941. On December 18 of that year the Maritime War Emergency Board was established by agreement of the parties, and given jurisdiction to determine the future course of war-risk bonuses during the war. Just prior to the creation of that Board, the bonus rate for specified voyages had reached the level of $80 a month for unlicensed and 66⅔ percent for licensed personnel. It is estimated that this schedule represented, on the average, an additional payment of $61 per month for the unlicensed and 50 percent for licensed personnel.

In its present form, the war-risk bonus scheme as administered by the Maritime War Emergency Board consists of a voyage bonus, an area bonus of $5 per day in areas of particular risk, and a vessel attack bonus of $125. The voyage bonus alone at its maximum amounted to 100 percent of the base wage or $100, whichever was higher. At present average earnings from the voyage bonus are $40 in the Atlantic, $72 in the Pacific, or $53 over all. All signs point to the reduction or complete elimination of the voyage bonus in the immediate future, leaving such risks as may still remain, such as the hazard of collision with floating mines, to be covered by the remaining area or attack bonus.

The unions contend that since these bonuses were established by collective bargaining they should not, in accordance with the Board's established policy, be disturbed except through collective bargaining. The Maritime War Emergency Board has stated however, that under the agreement by which it was established "any action taken on war-risk bonuses and war-risk insurance superseded the provisions of existing collective-bargaining agreements insofar as the latter were in conflict, and was mandatory".[3] Any weight to be accorded to the fact that the bonuses were originally established by collective bargaining should be given in connection wth the unions' claim for retention of the bonus established by the Maritime War Emergency Board, based on the unanimous statement of the Maritime War Emergency Board in its decision 2 C, issued June 18, 1945, reading as follows:

"Decision 2 C is in accordance with the policy which the Board has adopted of establishing a world-wide floor of 33⅓ percent ($40 monthly minimum) below which bonuses will not be reduced during the period of the war, to which period the existence, activities, authority, and jurisdiction of the Board are definitely limited in accordance with the statement of principles and the letter of the President appointing the Board at the request and on the recommendation of the parties signatory."

It thus appears that the question as to what would eventually happen to this bonus floor was left open. Presumably, if not eliminated by the Maritime War Emergency Board itself, the bonus floor could be reduced or eliminated only through collective bargaining or through action of some governmental agency authorized to settle labor disputes. No realistic and final determination of the present dispute can be made without settling this issue. In this connection note may be made of the action already taken or about to be taken by Canada, Sweden, and Great Britain relating to the status of war-risk bonuses after the war. In

[2] The principle of a wage adjustment in lieu of overtime was instituted by President Roosevelt in the railroad industry. Operating and nonoperating railway employees—Brotherhood of Locomotive Engineers and Brotherhood of Railway Trainmen and the Representative Carriers, November 4, 1943, and December 27, 1943. The same principle was applied by the War Labor Board in the trucking industry. Central States Area Negotiation Committees and the International Brotherhood of Teamsters, AFL, cases 4448–4648, February 1944. See also Interstate Steamship Co., case No. 376, March 5, 1943.
[3] Letter dated August 4 from John M. Carmody, Chairman of the Maritime War Emergency Board, to Dr. George W. Taylor, Chairman of the National War Labor Board.

Sweden this action has taken the form of integration of a portion of the bonus into the wage structure. In Great Britain a similar proposal is under discussion.

The main assumption of the Board in determining what wage increase is appropriate and the effective date thereof is the complete elimination of the voyage bonus. Weighing all the equities in the case arising out of the issues of substandard wages, overtime, and the elimination of the bonus, and considering the fact that the wage increase will not be retroactive and the prospect that no part of the increase will take effect for at least 30 days hereafter, the National War Labor Board is of the opinion that a fair and equitable determination of all the wage and overtime issues in dispute calls for an increase of $45 per month in the base rate for all classifications, if and when the present voyage bonus has been completely eliminated.

The question raised as to whether the operators should be named in the contract as employers, or, as in the last contract, as general agents for the War Shipping Administration, has no real significance. Whatever the designation in the contract, the operators are the employers for the purposes of this dispute, as contemplated by the War Labor Disputes Act.[4]

There is likewise no real issue as to the so-called closed contracts involving the SUP, MM & P, and MEBA since the operators have indicated they are prepared to negotiate with these unions on the basis of the Board's decision.[5]

NATIONAL WAR LABOR BOARD,
August 31, 1945.

DIRECTIVE ORDER

Maritime cases (list attached)

By virtue of, and pursuant to, the powers vested in it by Executive Order 9017 of January 12, 1942, and the Executive orders, directives, and regulations issued under the act of October 2, 1942, and the War Labor Disputes Act of June 25, 1943, etc.

I. Effective from the date of the elimination of the present "voyage bonus," each classification shall have added to its present base wage the sum of $45 per month.

II. The foregoing terms and conditions shall be incorporated in a signed agreement reciting the intention of the parties to have their relations governed thereby as ordered by the National War Labor Board.

III. Since this directive order may involve a question of increased cost to the United States, the directive order shall become effective only if also approved by the Director of Economic Stabilization.

Representing the public: George W. Taylor, Lloyd K. Garrison, N. P. Feinsinger, Jesse Freidin.
Representing labor: Van Bittner, John Brophy, Robert J. Watt, Paul Chipman.
Representing industry (dissenting): Clarence Skinner, Vincent P. Ahearn, Earl Cannon, W. B. Maloney.

LIST OF CASES INVOLVED

First group

111–11640–D—General agents of War Shipping Administration (east coast) and National Maritime Union, CIO. The companies which are included are:
Agwilines, Inc.
American Export Lines, Inc.
American South African Line, Inc.
American-West African Line, Inc.
Black Diamond Steamship Corp.
Grace Line, Inc.
International Freighting Corp., Inc.
Lykes Bros. Steamship Co., Inc.
Marine Transport Lines, Inc.
Moore-McCormack Lines, Inc.

[4] Sec. 2 (d) of the War Labor Disputes Act provides that the term "employer" shall have the same meaning as in section 2 of the National Labor Relations Act. The latter section defines an employer as "any person acting in the interest of an employer, directly or indirectly * * *."

[5] Transcript of hearing, pp. 242, 243, 320.

LIST OF CASES INVOLVED—continued

First group—continued

111–11640–D—General agents of War Shipping Administration (east coast) and National Maritime Union, CIO. The companies which are included are—Continued.
North Atlantic & Gulf Steamship Co., Inc.
Parry Navigation Co., Inc.
Polarus Steamship Co.
Standard Fruit & Steamship Co.
Stockard Steamship Corp.
Sword Line, Inc.
United Fruit Co.
United States Lines Co.
West India Steamship Co.
Wilmore Steamship Co., Inc.
Mystic Steamship Division.
Eastern Gas & Fuel Associates.
American Foreign Steamship Corp.
Blidberg Rothchild Co., Inc.
Boland & Cornelius.
A. L. Burbank & Co., Ltd.
Cosmopolitan Shipping Co., Inc.
Dichmann, Wright & Pugh, Inc.
Merchants & Miners Transportation Co.
R. A. Nicol & Co., Inc.
Norton-Lilly Management Corp.
Prudential Steamship Corp.
William J. Rountree Co., Inc.
States Marine Corp.
T. J. Stevenson & Co., Inc.
U. S. Navigation Co., Inc.
Wessel, Duval & Co., Inc.
J. H. Winchester Co.

111–15916–D—Pacific American Shipowners Association and Marine Cooks' and Stewards Association, CIO.

111–16461–D—Pacific American Shipowners Association and Marine Firemen, Oilers, Watertenders, and Wipers Association, Inc.

111–11488–D—Waterman Steamship Corp. and Seafarers International Union, AFL.

111–11489–D—South Atlantic Steamship Line and Seafarers International Union, AFL.

111–11490–D—Mississippi Shipping Co. and Seafarers International Union, AFL.

111–11491–D—Smith & Johnson and Seafarers International Union, AFL.

111–11492–D—American Range-Liberty Lines and Seafarers International Union, AFL.

111–11493–D—Overlakes Freight Corp. and Seafarers International Union, AFL.

111–11494–D—Eastern Steamship Lines and Seafarers International Union, AFL.

111–11495–D—Alcoa Steamship Co. and Seafarers International Union, AFL.

111–11496–D—Seas Shipping Co. and Seafarers International Union, AFL.

111–11497–D—A. H. Bull Steamship Co.; Baltimore Insular Line and Seafarers International Union, AFL.

Second group

111–11428–D—Pacific American Shipowners Association and Sailors Union of Pacific AFL.

111–4649–D—General Agents of War Shipping Administration (east coast) and Masters, Mates and Pilots, AFL, and Marine Engineers Beneficial Association, CIO.

111–4932–D and 111–1360–D—General Agents of War Shipping Administration (west coast) and Masters, Mates and Pilots, and Marine Engineers Beneficial Association, CIO.

EXHIBIT 5

STATEMENT OF SURG. GEN. THOMAS PARRAN, UNITED STATES PUBLIC HEALTH SERVICE, BEFORE THE SENATE SUBCOMMITTEE CONSIDERING S. 1349, A BILL PROVIDING FOR REVISION OF THE FAIR LABOR STANDARDS ACT OF 1938, OCTOBER 4, 1945

Mr. Chairman, members of the committee, I am pleased to place at your disposal, in accordance with your request, the facts available to the United States

Public Health Service with respect to the relationship between income and health. I have not been advised by the Bureau of the Budget as to whether S. 1349 is considered to be in conformity with the program of the President.

In your letter, you suggested that I discuss the following points:

1. Effect of low income on health and the purchase of medical services.

2. Relationship of income level to health, as revealed by selective-service rejection rates in the various States, if possible, by industries and States.

The data available from the Selective Service System do not provide sufficient pertinent information on the relation of rejection rates to income level. Therefore, I shall confine my comments to health and economic status in the general population.

The Public Health Service has had long experience in the study of illness in relation to social and economic conditions. We have been impressed with the difficulty of separating from the many factors associated with individual and public health those principally responsible for excessive burdens of illness and premature death. Nevertheless, every statistical study of sickness, made by the Public Health Service and many other agencies, has told the same story:

Families of low income have the most illness, and they receive the least medical care.

Poverty is both a result and a cause of ill health. Low income and sickness result in a descending spiral of deeper poverty and greater suffering.

Although the primary functions of health authorities are to prevent disease and to secure for the people better medical care, we cannot but be impressed with the difficulties in reaching these goals among families whose incomes are too low to provide a sanitary environment, a healthful diet, decent homes, and medical care. I know of no single step which would do more to improve health and nutrition than the assurance to every family of an income adequate for the provision of the minimum essentials of healthful living. Therefore, insofar as S. 1349—if enacted into law—would contribute to a higher standard of individual and community living, its provisions must be considered as contributory to national health.

Ill health and poor nutrition always have been close and constant companions of poverty. As early as 1916–17, the late Edgar Sydenstricker, of the Public Health Service, pioneered in the study of social and economic aspects of illness. As a coworker of Joseph Goldberger, he showed that low-income families in southern cotton-mill towns had the highest pellagra rates—and the poorest diets. There followed in the Public Health Service the studies of illness in Hagerstown, Md.—a project that has continued for more than 20 years. The Service also participated in the surveys and analyses of data conducted by the Committee on the Costs of Medical Care. In 1933 we undertook, a study of the effects of economic depression upon health. And in 1935–36 we conducted the largest study of illness and receipt of medical care ever made—the National Health Survey. From the data collected in this study, the experience of over 700,000 urban families in 18 States has been analyzed.

Significant differences in the amount and duration of illness among the various income groups were revealed by all of these surveys.

NATIONAL HEALTH FINDINGS

Some of the results of the National Health Survey may be of interest to the committee. In general, these findings show that families with annual incomes of $1,000 or less—whether on relief or not—had nearly 40 percent more total illness than did families with incomes of $2,000 or more; and they had 75 percent more chronic illness.

Chronic disability prevents some workers of all income groups from earning a living or even seeking work. Among low-income families the proportion of unemployable workers was three and a half times greater than that among families with incomes of $2,000 or over. Here, again, the vicious circle of poverty and ill health is demonstrated.

Illness among the poor is of longer duration than among more fortunate groups. On the average, persons with annual incomes under $1,000 in 1935–36 lost nearly twice as much time from work because of illness as did the average individual in the higher-income groups.

Most of the diseases with a large excess of disability in the lower-income brackets are chronic ailments. For example, the time-loss due to hernia in

families with annual incomes under $1,000 is more than four times that in the $3,000 income group. Even such diverse conditions as varicose veins, diabetes, blindness, and deafness show disability rates from two to four times higher in the low-income group than in the highest-income group.

Acute conditions also—accidents, pneumonia, and other respiratory diseases—show considerable excesses in the low-income brackets over the rates for the highest-income level. For example, the home accident rate among the poorest families studied in the National Health Survey was nearly 40 percent higher than in families with incomes of $2,000 and over. Presumably housing conditions among the poorest are responsible for some of the excess.

TUBERCULOSIS AND PNEUMONIA

From the beginning of our modern knowledge of the disease, tuberculosis has been recognized as primarily a disease of the poor. As a cause of death it has been reduced nationally during the present century from first to seventh place; but when we look behind the national average, we find that tuberculosis mortality is much higher in low-income groups. In 1930 it was found that the death rate from tuberculosis among unskilled laborers was seven times that of professional men. In 1943 the tuberculosis death rate among Negroes—who are predominantly in the lowest-income groups—was three and a half times that among whites of all income groups. The National Health Survey also revealed that tuberculosis caused four times as much disability among families with annual incomes under $1,000 as among those with $3,000 or more. Among families on relief, the excess was nearly nine times.

Pneumonia also is an important cause of death; death rates from this cause have been reduced dramatically since 1937, when treatment with sulfa drugs was introduced. However, there probably has been no change in the proportionate rates among various income groups. Earlier studies show that the pneumonia death rate among unskilled workers was three and a half times that among professional people; and that time loss due to pneumonia was 20 percent higher in lowest-income groups than in the upper brackets. Even a 20-percent excess of disability from this cause is significant, since doubtless it reflects the results of poor environment and inability to obtain prompt medical attention.

MATERNAL AND INFANT MORTALITY

Studies extending back as far as 1910 have emphasized the coexistence of high infant mortality with loss income. In 1928, for example, the United States Children's Bureau showed that infants of fathers whose earnings were less than $450 a year died at more than 10 times the rate of those whose fathers earned $1,250 or more.

Studies made in Cleveland, Ohio, from 1920 to 1937 reveal interesting facts. In the last year (1937), the infant mortality rate in the lowest economic groups was 50 percent higher than that in the highest levels. In Denver, Colo., in 1931, 16 in every 100 infants born in families with annual incomes of less than $500 died during the first year of life, as compared with 3 infant deaths per 100 live births among Denver families with incomes of $3,000 or more.

Infant deaths tend to be higher in the low-income States than in the more fortunate areas. In 1940 the six States with the highest infantry mortality rates were New Mexico, Arizona, South Carolina, Louisiana, Texas, and Alabama—all in the lower half of the States ranked according to per capita income.

The deaths of mothers in the child-bearing process also show a relationship with per capita income of States. In 1940 the rate for the country as a whole was 3.8 maternal deaths per 1,000 live births. Of the 15 States with rates above 4.5 per 1,000, were low-income States except Delaware and Nevada.

RECEIPT OF MEDICAL CARE

In the National Health Survey, it was found that the proportion of illnesses without medical care was about twice as high in the low as in the upper income groups. This was true in cities of all sizes, although the proportion of unattended illness was greater among all income groups under $3,000 in the small cities of 25,000 population or less.

A smaller proportion of the cases among poor families received hospital care than among the higher-income groups. Poor patients remained longer in the hospital than did the more fortunate ones. This fact indicates that conditions were allowed to become more critical among the poverty-stricken before medical attention was sought.

Private-duty nursing is almost unknown among the sick poor. Less than 3 percent of the cases were attended by a private nurse, as compared with over 16 percent in families with incomes of $5,000 and over. On the average, the few poor patients who were attended by a nurse received about half as many days of nursing care as did those in the upper income brackets. Families of low income who were not on relief in the survey year received less attention from visting nurses than did families on relief. Only 6 percent of the illnesses among families with income of less than $2,000 received visiting-nurse care, as compared with 12 percent among relief families.

This fact reflects the relationship between the adequacy of community provisions for personal health service more than it indicates the relation of individual income to health. At the time of the survey, relief loads were heavy, and understaffed services were unable to meet more than their limited statutory obligations.

In 1935–36 families with annual incomes of less than $1,000 spent, on the average, less than $50 a year for their sickness costs; that is, 5 percent or less of income. These figures compare with an average annual expenditure of $900 among the richest families, or about 2 percent of income.

INCOME AND HEALTH FACILITIES BY STATES

Studies made during the war show the ratio of physicians to population in the several States, grouped according to per capita income. With few variations, the States in the lowest income brackets have the larges populations per active private physician. The average physician in such States as Louisiana, Tennessee, Georgia, and Arkansas, served well over 1,000 persons in 1942, before the withdrawal of physicians by the armed forces had reached the peak. In North Carolina, New Mexico, South Carolina, Mississippi, and Alabama (also low income States) the ratio was over the critical line of 1 doctor per 1,500 persons. Since 1942, the situation has grown more serious in all these States where the ratios are 1 physician per 2,000 to 3,000 population. Where physicians are concentrated, there also are concentrated dentists, nurses, and general hospital beds. The physician-poor States are also poor in other services and facilities essential to health.

Congress has recognized the inequality of health services in the underprivileged areas of the country and with foresight and wisdom, has enacted certain health legislation which reduces partially these inequities of opportunity. In the health provisions of the Social Security Act (now the Public Health Service Act), the Venereal Disease Control Act of 1938, and legislation on tuberculosis control, Congress has authorized the Public Health Service to weigh grants-in-aid in favor of those States having low income and those having proportionately more severe health problems. In carrying out the intent of Congress, the Public Health Service has found a close correlation between financial need and extent of health problems among the States. Those States which have received excess allotments on account of low income have also received excess allotment for their intensified health problems.

From whatever standpoint one considers the health problems of the Nation, the conclusion is inescapable that in the creation of a healthy and educated citizenry—or in the failure to do so—economic factors are extremely important, if indeed not determining. Improvement in the economic status of the poorer families in this Nation, therefore, contributes also to the health status of the Nation. Higher wages in themselves, however, will not solve the problems of individual and public health. A national policy for a minimum wage is contributory to health, as also are national policies for healthful housing, for improved nutrition, for social insurance. But even these do not of themselves constitute a national health program. They must be accompanied by planned advances in the provision of complete medical and health care to all of the people in all parts of the country.

EXHIBIT 6

STATEMENT OF J. W. STUDEBAKER, COMMISSIONER, UNITED STATES OFFICE OF EDUCATION, BEFORE THE SENATE COMMITTEE ON EDUCATION AND LABOR RE S. 1349, A BILL PROVIDING FOR REVISION OF THE FAIR LABOR STANDARDS ACT OF 1938

The testimony which I wish to present to the committee today will be directed solely to the general question of the relationship of family income to opportunities for schooling in the United States. That there is such a relationship has long

been evident to educators and to many citizens as they have frequently witnessed the withdrawal from school at an early age of the children of the poor. As a matter of fact, some 1,000,000 young people drop out of school each year. Only about one-half of those enrolled in the fifth grade will remain to be graduated from high school.

Corroborative evidence of this relationship is to be found in numerous studies which have been made of the reasons why the youth leave school. One recent summary of a number of such studies indicates that about one-third of youth who leave school do so from economic necessity (29.27 percent of school-leavers). Reasons classified in the category of economic necessity include such items as: Lack of wearing apparel, services needed at home, lack of transportation, help needed on farm, too far to walk, no money for books and clothing, family needed help financially.[1] Other reasons for school withdrawal include:

Reason for leaving:	*Percentage reporting*
Negative attitude toward school	18.21
Poor individual health or physical disability	8.04
Unfavorable home conditions	5.19
To go to work (seemingly not under economic pressure)	15.25
Scholastic failure	11.29
Disciplinary trouble	3.6
Marriage	5.5
Miscellaneous	3.6

It seems fairly obvious from this summary (which is typical of results of many studies of the reasons why youth leave school) that low family income resulting in economic pressure ranks high among such reasons.

Closely related to family income as a reason for early school-leaving is the quality of the school itself. There appears to be a reciprocal relationship between per capita income and school support and between school support and quality of educational services. This is brought out in table I which shows by States the 1940 income payments per capita in relation to the 1942 expenditures per person 5 to 20 years of age for school purposes. Although it may be granted that expenditure per pupil is not a perfect measure of the quality of educational services made available, it is at least roughly symptomatic of the quality of educational opportunity.

Looking at table I we note that the 48 States are arranged in order of per capita income from New York, the highest with $592 per per person 5 to 20 years of age, to Mississippi, with $591 per person 5 to 20 years of age. In the second column appears the total current expense for public elementary and secondary education in 1942 per person 5 to 20 years of age. It is very clear from this table that the States whose inhabitants have the greatest per capita income behind each school-age child spend the most for education. Amounts spent range from $20 per person 5 to 20 years of age among States low on the list in income to over $100 per person in this age range among States at the top of the list. We also know that States at the top of the list have fewer children to educate in proportion to total population and generally have lower tax rates for the support of their schools, despite the fact that they spend more per pupil. They have a larger percentage of school-age children in school, a higher percentage of adult literacy and fewer men disqualified for service in the armed forces by reason of their educational deficiencies. States which are rich in numbers of children but poor in income, that is without the financial resources to pay for good schools, provide less adequate levels of expenditure for their schools, and, by and large, are thereby able to achieve less adequate educational results on tax rates which are relatively high as compared with the country as a whole.[2]

One might summarize this income-schooling relationship by saying that, other things being equal, the "holding power" of the school-for its pupils varies directly with the quality of the school; and the quality of the school varies directly with the expenditure for the support of schools. Financial pressure on pupils from low-income families to leave school when coupled with schools of low quality results in curtailment of schooling for hosts of American youth.

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[1] Dailard, Ralph C., An Estimate of the Cost of Making Grades 9 through 12 of the American Common School Effectively Free. Birmingham, Ala.: Birmingham Printing Co., 1939, p. 37.

[2] Norton, John K., and Lawler, Eugene S., An Inventory of Public School Expenditures in the United States, a Report of the Cooperative Study of Public School Expenditures. Washington, D. C.: American Council on Education, 1944, vol. II, p. 316.

Confirmation of the relationship of income to schooling comes from another source. Table II is taken from 1940 census data on income and educational attainment of various occupational groups. It shows that the average wage or salary income varies from $360 for farm laborers to $1,800 for persons in professional and semiprofessional categories of employment. At the same time, the average amount of education of persons in the lowest-paid occupational group mentioned above is 7.4 years, whereas the average amount of schooling of persons in the highest-paid occupational category, professional and semiprofessional workers, is more than twice as much, 15.6 years. Another tabulation made by the United States Bureau of the Census of income in relation to schooling shows that 50 percent of those persons who attended college or went beyond reached or exceeded $5,000 a year in income, whereas only 39 percent of those who attended high school and only 11 percent of those who had 8 years of education or less reached this income level in 1940.[3]

In summary, then, it may be said that family income is related to school attendance of children both indirectly in the level of financial support of schools as effecting the quality of schooling and the holding-power of schools and directly in the financial pressure on children in low-income families to leave school to contribute to their own support. It should be remembered that so-called free schooling is never entirely free of direct cost to the parents of school children. Not all schools provide textbooks and transportation. Additional drains upon the family income result from fees for materials or the costs of school supplies which children use. There is the expense of suitable school clothing. Again some children living in sparsely settled areas require maintenance while attending school away from home. Indeed, one prewar estimate indicated that it would have cost parents approximately $80,000,000 at that time to meet such expenses of boys and girls, who were then out of school for economic reasons, had they been returned to school.[4]

It would seem to me therefore that any sound measures which will have the effect of increasing the real income of lower-income families will contribute to the improvement of educational opportunities for the children who are members of these families.

TABLE I.—*Income payments per person, ages 5 to 20 years, in relation to 1942 expenditures for school purposes per person, ages 5 to 20 years, by States*

State	1940 income payments per person 5 to 20 [1]	1942 expenditure per person 5 to 20 [2]	State	1940 income payments per person 5 to 20 [1]	1942 expenditure per person 5 to 20 [2]
Continental United States	2,043	55.69	Vermont	1,851	49.57
New York	3,592	91.07	Iowa	1,782	57.88
California	3,575	105.59	Maine	1,766	40.22
Nevada	3,538	95.45	Florida	1,708	41.70
Delaware	3,464	61.02	Nebraska	1,517	50.32
Connecticut	3,213	68.82	Kansas	1,511	54.93
Massachusetts	2,957	67.41	Arizona	1,500	59.38
New Jersey	2,935	88.02	Idaho	1,450	54.38
Illinois	2,917	67.90	Utah	1,448	56.18
Rhode Island	2,648	57.90	Texas	1,341	41.77
Washington	2,613	80.91	Virginia	1,314	31.34
Maryland	2,449	45.72	South Dakota	1,228	54.76
Ohio	2,449	62.27	West Virginia	1,189	44.93
Oregon	2,389	65.44	North Dakota	1,145	45.58
Michigan	2,362	60.64	Louisiana	1,117	33.73
Pennsylvania	2,205	58.27	Oklahoma	1,108	42.50
Montana	2,071	73.36	New Mexico	1,033	45.93
Wyoming	2,068	73.66	Tennessee	997	28.49
New Hampshire	2,053	49.20	Kentucky	951	25.98
Indiana	2,011	59.26	Georgia	950	24.93
Missouri	1,906	48.62	North Carolina	893	27.77
Colorado	1,882	62.25	Alabama	782	22.77
Wisconsin	1,875	58.99	South Carolina	781	25.17
Minnesota	1,861	60.96	Arkansas	758	20.87
			Mississippi	591	20.17

[1] Source: U. S. Department of Commerce, Bureau of Census.
[2] From: U. S. Office of Education Biennial Survey of Education, 1942.

[4] Dallard, Ralph C., ibid., p. 100.
[3] Reported in a publication of the United States Chamber of Commerce, committee on education, Education, an Investment in People. 1944, pp. 22–25.

TABLE II.—*Income and educational attainment of various occupational groups, 1940*

	Median years school completed	Percentage less than high school	Median wage or salary income	Percentage less than $1,200
Professional and semiprofessional	15.6	7.1	$1,803	24.3
Clerical, sales, and kindred workers	12.2	20.8	1,275	44.9
Proprietors, managers, and officials except farm	10.9	39.0	(1)	(1)
Craftsmen, foremen, and kindred workers	8.5	59.9	1,552	25.5
Operatives and kindred workers	8.5	59.7	1,142	54.0
Protective service workers	8.8	53.1	(1)	(1)
Service workers, except domestic and protective	8.7	55.1	(1)	(1)
Domestic service workers	7.9	68.8	(1)	(1)
Laborers, except farm and mine	7.7	72.3	980	68.1
Farm laborers and foremen	7.4	78.4	363	96.5

[1] Not available.

Source: U. S. Bureau of Census, Population—comparative occupation statistics for the United States, 1870 to 1940. 1943. P. 181.

EXHIBIT 7

STATEMENT OF T. J. WOOFTER, DIRECTOR OF RESEARCH, FEDERAL SECURITY AGENCY, FOR THE SUBCOMMITTEE ON EDUCATION AND LABOR CONSIDERING S. 1349

I do not appear as an expert in wage economics and, hence, will not attempt to appraise the technical details of the bill under consideration. I will present certain facts as to the composition of wage and salary earning families and their incomes based on recent studies. (Technical definitions of terms are given in an appendix.)

The studies were made to explore the relationships of income levels to family welfare programs. While the Federal Security Agency is not charged with making recommendations as to wage rates or with the administration of wage regulations, it is obvious that the need for asisstance varies with the level and distribution of income. On the other hand, insurance and assistance payments can in no sense be considered as substitutes for adequate and steady earnings.

These studies demonstrate the desirability of a higher level of real wages than the scales of 1939, provided certain assumptions are accepted. These assumptions are as follows: First, that the optimum average size family is one large enough to maintain or slightly increase the population; second, that the average wage of a single wage earner should be adequate to support this optimum average size family; and third, that the standard of support should be one which will supply basic needs, both physical and psychological, for health, child care and development, recreation, participation in community organizations, and accumulation of savings for security.

Against these yardsticks it is possible to measure the situation with regard to family income and composition in 1940. Unless otherwise stated, the facts are based on an analysis of nonfarm families whose only income was from wages or salaries. They are from the 1940 census which enumerated income as of 1939 and family composition as of 1940.

If it is agreed that the optimum average size family should be large enough at least to maintain a level population, then we have a fairly approximate mathematical definition of this size. It requires a family of a man and wife who, before the end of the child-bearing period, would have three children. Obviously, two children who reach maturity are required to replace their parents, and more than two births are necessary to offset the deaths in the younger ages and failure on the part of others to have children.

In 1940 the actual number of children in wage or salary families was not sufficient to provide replacement of this group. In man and wife families where the male parent was 35 to 45 years of age, that is to say where most of the children had been born and few had passed the age of 18, the average number of children was just under two. This indicates a deficiency for replacement. A more exact method of determining intrinsic rate of population increase has been worked out by population analysts. It consists of calculating, by actuarial methods, the extent to which daughters replace their mothers. The ratio necessary to replace the population is scaled at 100. In 1940, by this method, the

net reproduction ratio for the urban population was only 76 and for the country as a whole it was 96. Thus, the total population was slightly below the level of reproduction and the wage or salary population 36 percent below this level.

It is, therefore apparent that wage or salary income families were not large enough to replace themselves.

On the basis of the projection of these trends into the future, it is predicted that, without allowing for the effect of war on population growth, the population of the United States will reach an almost stationary point about 1965 and will begin to decline sometime about 1980. Long before this time the effect of the slowing down of the population will make itself felt in the demand for goods—first in the articles particularly needed by children and the next in houses, furniture, and other goods necessary for the equipment of new families. The only way in which the depressing effects of a stationary population on the economy can be offset is to increase the consuming power of the average family so that the same number of people will consume more goods. When manufacturers and businessmen become more aware of the effects of a sluggish population increase, there will undoubtedly in the next 10 or 15 years be more insistent demands for positive population policies, one of the main bases of which will be greater family security and increased family purchasing power.

How much the decline in the size of the family is due to economic considerations is a debatable matter, but it is probably safe to state that if no child were an economic burden, probably more children would be born and certainly more of those children which are born would have the advantages of good health and educational services, which would mean that more would survive to the productive age. Along this line it is interesting to note that the results of a survey conducted by the Ladies' Home Journal in 1938 showed that only 1 percent of the women questioned thought an ideal family consisted of one child, 25 percent thought two children, and 74 percent thought three or more.

If, however, a stationary population is inevitable, the situation need not necessarily cause depressing effects on the economy if purchasing power is well distributed and adequate. Isador Lubin, in his testimony before the Temporary National Economic Committee in 1938, submitted the following estimates of additional consumption which would result if a wage increase of $2.25 per day were effective for families then earning under $1,250 per year:

"They would buy $800,000,000 worth of food more than they buy now; they would increase their purchasing of clothing by $416,000,000; they would increase their purchase of housing or rents by $613,000,000; they would spend $213,000,000 more on fuel, light, and refrigeration; they would spend $385,000,000 more on transportation, automobiles, etc.; they would spend $73,000,000 more on personal care; they would spend $234,000,000 more on recreation; they would spend $208,000,000 more on medical care."

Thus, economic expansion can continue far beyond population increase, provided the system is so ordered that the vast potential expansion of production can be activated by the ability of the masses to satisfy existing wants.

Turning now to the second assumption that the average wage of a single wage earner should be adequate to support the optimum size family, the following facts as to the situation in 1940 appear:

The average composition of all nonfarm wage or salary families was 2.3 adults and 1.1 children. The median family income was $1,380, or, on a modified per capita basis, $474 per unit.

But these averages are deceptive. The responsibility for family support is very unevenly distributed throughout the population. Urban families are much smaller than rural families, averaging less than one child apiece as against one and six tenths in the farm population.

But within each region and residential class the widest differentials are between those families which have children and those which do not. About half the wage or salary families had no children at all, and one-seventh of the families (those with three or more children apiece) included half of all children. When the incomes of these types of families are compared on a modified per capita basis, it develops that couples without children have more than twice as much to spend per person than the families with three or more children, which, as we have said, include half the children.

The $474 per capita income represented the earnings of all members of the family combined. Numerous family heads with substandard wages had earnings which were not sufficient to support the family at a level at which they wished to live. In 31 percent of the families the earnings were supplied by more than one worker. The median earnings of the one-earner families were $1,213; families

with two earners, $1,708; and families with three or more earners, $2,417. These are obviously undesirable social effects of the necessity for contribution to the family budget by mothers of young children or by minor children. Of the total experienced urban workers in the labor force in 1940, 9 percent were wives and 1.5 percent were children from 14 to 17 years of age. It is thus apparent that family earnings are by no means produced by the sole effort of a single wage earner.

The figures given so far have been in the terms of absolute dollars available for family living. The meaning of these amounts is clearer if they can be measured in terms of the level of living which they will support. The so-called maintenance budget provides a yardstick for such measurements. Since it is my understanding that this budget has been discussed by experts from the Department of Labor, it need only be said here that the maintenance budget is not a liberal budget but is designed, with careful shopping, to supply the basic necessities for wage earning and "white collar" families. For instance, it does not provide for an automobile or many of the conveniences which are so desirable to facilitate housekeeping; nor does it make liberal allowances for recreation or cultural development.

This budget is usually priced in terms of a family consisting of a man and wife and two children. Its total cost may, however, be reduced to a modified per capita basis comparable to that used for estimating modified per capital incomes. This procedure, however, is only possible for the 33 cities in which this budget was priced in 1940.

In urban areas the median unit income was $533 as against the unit cost of the maintenance budget in the 33 cities of $427. Stated another way, 38 percent of the families in these cities were living at a level below that represented by the maintenance budget.

The variation between cities was extreme. In high-wage cities, such as Washington, D. C., and San Francisco, Calif., only about 25 percent of the families were living below the maintenance level, but in low-wage cities, such as Memphis, Tenn., and Mobile, Ala., two-thirds of the families were living below the maintenance level. It is probable that, if satisfactory measures of the cost of the maintenance budget in small towns and villages were available, the level of living afforded by the wages in these places would be even lower in most sections of the country that that indicated for the low-wage cities.

Under these circumstances, it is evident that few families which are below the average in income or above the average in size are able to accumulate savings for security. In fact, the extent of precarious living in times of depression is shown by the Consumer Purchase Study of 1935–36. In this Study all types of families with incomes below $1,000 and the larger families with incomes below $1,750 reported average expenditures in excess of income. These families were accumulating debts instead of reserves.

Any interruption of earnings in families which are living so close to the margin results in a period of reduced income during which the family is almost entirely dependent upon credit, assistance from relatives, social insurance, or public assistance.

The size of insurance benefits is, in turn, determined by the previous average earnings. It is especially noteworthy that the present Social Security measures do not include protection against income loss due to illness or abnormal expenditures for medical care.

With reference to unemployment compensation benefits, it is possible to infer certain facts from the benefit formula. This formula is such that an individual weekly benefit approximates 50 percent of recent wages up to a maximum. The imposition of this maximum reduces the percentage of higher wages which are compensated and causes the average proportion of compensated wages to fall considerably below 50 percent. The principal justification for fixing unemployment compensation below wages is that the benefits are extended to employable people who should be encouraged to return to private employment at the first opportunity. Granting the validity of this argument, the question still remains as to how far below previous wages it is necessary to fix benefit payments in order to accomplish this purpose. Is it necessary to reduce the families to from 30 to 50 percent of the previous wages, or would the same purpose be served by reduction to from 60 to 80 percent of the previous wages?

As long as benefits are to any extent scaled below previous wages, it stands

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to reason that families which were above the average in size and below the average in wages will receive benefits which have little relationship to the needs of the family.

Old-age benefits and the benefits paid to survivors of insured workers are also dependent upon previous average wages. In 1940, old-age benefits averaged about $23 a month, or far below the wages which are earned by persons over 65 years of age who continue to work.

Survivors' benefits may be compared to private incomes on a unit basis. United States average unit value of family group survivors' benefits was $268, or about 50 percent of the national median family income. Thus, large families with low wages find it difficult to accumulate savings to meet the needs of the periods of unemployment, old age, sickness, or death of the wage earner and at the same time are at a disadvantage because the size of these benefits, when paid, is reduced because of previous low average earnings. Under these circumstances, the necessity for supplementing the insurance system with the system of public assistance payments is necessary to prevent actual distress.

Reviewing the facts in terms of the objectives assumed in the beginning, it is evident that the family incomes of 1939 did not satisfy any of the three conditions. First, the families of wage earners were not large enough to replace the population since the replacement ratio was only 76 percent. Second, even these small families were not in all cases supported by a single worker, as 30 percent depended also on earnings of other members of the family. Third, the level of living afforded by these family incomes was below the so-called maintenance standard in 38 percent of the urban families and a larger proportion of the village families. Fourth, the families which were below the average in income or above the average in size found it nearly impossible to accumulate savings to tide over periods of wage loss. They were, therefore, likely to be dependent upon inadequate social insurance benefits, since these benefits are also based on previous average earnings. It would, therefore, seem clear that, if the assumed objectives laid down at the beginning of this statement are agreed to, the attainment of these objectives would require a substantially higher scale of real wages than that which prevailed in 1939.

APPENDIX

Definitions

Net reproduction ratio.—If, at prevailing birth and death rates, a sufficient number of daughters are born to survive up to the age of their mothers, the ratio is 100. If this number of surviving daughters is insufficient to replace their mothers, the ratio is less than 100.

Family.—A private family comprises a family head and all other persons in the home who are related to the head by blood, marriage, or adoption, and who live together and share common housekeeping arrangements. A person living alone is counted as a one-person private family. A family head sharing his living accommodations with one or more (but not more than 10) unrelated persons is counted as a one-person family. Under this definition, family members exclude persons in institutions, and lodgers, servants, guests, foster children, and wards living in the household.

Children.—All persons in the family under age 18, except those who were heads of families or their wives. In 1940, 93 percent of the children in nonfarm families were children of the head; 5 percent were grandchildren, and 2 percent, other relatives.

Adults.—Persons aged 18 years and over, and persons under age 18 who were heads of families or their wives.

Wage or salary income, as reported to the census, includes all money received in 1939 in compensation for work or services performed as employees, including tips, commissions, piece-rate payments, bonuses, etc. The value of income received in kind, such as living quarters, meals, and clothing, is not included. The income reported was the total wages or salaries before deduction was made for social insurance.

The following items were listed as types of income to be excluded from wage or salary income: (1) earnings of businessmen, farmers, or professional persons derived from profits, sale of crops, or fees; (2) sums received as unemployment compensation; (3) direct relief or charity; (4) income in kind; (5) sums received for travel and expenses incurred in travel.

Total family income.—The sum of the earnings from wages or salaries of all family members.

Family unit.—One adult or two children.

Family unit income.—The wage or salary income of a family divided by the number of family units, or the median income of a group of families divided by the average number of family units in the group.

EXHIBIT 8

STATEMENT OF AMERICAN MERCHANT MARINE INSTITUTE

IN THE SENATE OF THE UNITED STATES, COMMITTEE ON EDUCATION AND LABOR, IN THE MATTER OF S. 1349, A BILL TO PROVIDE FOR THE AMENDMENT OF THE FAIR LABOR STANDARDS ACT OF 1938, ETC.

The American Merchant Marine Institute, Inc., is an association numbering among its members the great majority of steamship companies owning and operating American-flag tonnage. These companies, acting as general agents of the War Shipping Administration, are today operating for account of the Government our greatly expanded merchant fleet. On behalf of its members, the Institute appears in opposition to those provisions of S. 1349 which would bring seagoing personnel on board merchant vesels within the coverage of the Fair Labor Standards Act of 1938.

Under section 13 of the 1938 act, persons employed as seamen are now exempt from the provisions (secs. 6 and 7) governing minimum wages and maximum hours. S. 1349 would terminate this exemption. It is submitted that such a step would force upon the shipping industry conditions that would make it impossible to operate successfully under the American flag.

The 1938 act properly recognized that employment at sea is irreconcilably different from employment on shore. A vessel must be continuously navigated, day and night. The work of her crew must go on without halt and cannot be limited to any given part of a day or week. Today the crew of an oceangoing vessel is divided into three watches, each watch consisting of the bare minimum required by law to assure the safe navigation of the vessel. It can be readily seen that reduction of the workweek to a maximum of 40 hours would require 40 percent additional personnel. Such an increase would go beyond the limits of the accommodations of our existing ships, all of which were built to carry the crews required by our present statutes. Far more important is the fact that the addition of so many new members of the crew with the resultant increase in the pay roll would make it absolutely impossible for the American operator to compete with foreign shipping or with other forms of domestic transportation.

If the crew of a vessel were to be retained at its present size and the seamen required to stand an 8-hour watch each day in the week, S. 1349 would require that they be paid at an overtime rate for 16 hours per week. This would be even more expensive than the carriage of 40 percent additional crew members, were this possible. Neither alternative would leave any hope of success in meeting foreign competition that is not handicapped by any such requirements.

At this very time the Senate Commerce Committee is holding hearings on S. 292, the Merchant Ship Sales Act of 1945. The declaration of policy in S. 292 reads as follows:

"SEC. 2. (a) It is necessary for the national defense and development of the foreign and domestic commerce of the United States that the United States have a merchant marine (1) sufficient to carry its domestic water-borne commerce and a substantial portion of its waterborne export and import foreign commerce and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign water-borne commerce at all times; (2) capable of serving as a naval and military auxiliary in time of war or national emergency; (3) owned and operated under the United States flag by citizens of the United States; (4) composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel; and (5) supplemented by American-owned facilities for repairs, marine insurance, and other auxiliary services.

"(b) It is hereby declared to be the policy of this act to foster the development and encourage the maintenance of such a merchant marine, and to facilitate the adjustment of the merchant marine from war service to peacetime operations."

There would be little or no point in making vessels available to American citizens if, by the 40-hour week, Congress prevents their successful operation. A vessel cannot be operated on a 40-hour basis.

It would seem that the primary purpose of the Fair Labor Standards Act of 1938 is to insure that a man will not be required to work excessive hours. The nature of maritime employment is such that, within limits, a longer workweek at sea is appropriate. The fact that seamen stand watch every day at sea has been recognized by all parties to collective bargaining negotiations in the shipping industry and was one of the major considerations before the National War Labor Board in the recent maritime cases. In its decision of August 31, 1945, the Board ordered that "each classification shall have added to its present base wage the sum of $45 per month." In so doing, the Board established in the shipping industry a wage standard that makes unnecessary the coverage proposed by S. 1349 and in that very case the Board had before it a demand for a 40-hour week. The 40-hour week cannot be successfully applied to the operation of vessels and the wage scales established by the National War Labor Board adequately compensate seamen for their added service. A seaman spends both his working hours and his time off duty at sea within the confines of the vessel. Utilization of free time becomes a real problem even today where a man is on watch only eight hours out of every twenty-four. It must be realized that if the 40-hour week were to be applied to seamen they would have 128 hours per week during which they would be on the vessel but not on watch. Since a vessel must operate seven days a week, a man would then be permitted to work something less than six hours per day. For these reasons, the present exemption in the Fair Labor Standards Act of 1938 (sec. 13) for persons employed as seamen should be left undisturbed.

Two other provisions of S. 1349 require mention. Section 3 (m) of the present act provides that there shall be included within wages the reasonable cost to the employer of furnishing board, lodging, or other facilities if such board, lodging, or other facilities are customarily furnished by such employer to his employee. S. 1349 would amend section 3 (m) so as to exclude from its provisions board, lodging, or facilities furnished to a member of the crew of a vessel. No reason can be found for thus excluding one industry from an otherwise reasonable provision. Of course, the effect of such change would be to increase the statutory minimum wage to seamen by the cost of such facilities furnished. The shipping industry should be exempt from this legislation but at the very least, it should be given the same treatment as other industries.

S. 1349 would amend section 16 of the 1938 act so as to limit to 5 years the time within which an action may be instituted against an employer who has violated the act. This is entirely too long—the period could be far shorter but still afford ample protection to the employee. Unless actions are started within such shorter period, the employer may be seriously prejudiced in his preparation of the case.

Your committee is urged to recommend continuation of the present provision exempting persons employed as seamen from the provisions of the Fair Labor Standards Act of 1938.

Respectfully submitted,

FRANK J. TAYLOR,
President, American Merchant Marine Institute, Inc.

SEPTEMBER 25, 1945.

EXHIBIT 9

Washington, D. C., November 7, 1945.

Honorable JAMES E. MURRAY,
Chairman, Committee on Education and Labor,
United States Senate,
Washington, D. C.

MY DEAR CHAIRMAN MURRAY: At the last meeting of the board of directors of the American Farm Bureau Federation, held in Chicago last August, it adopted a resolution favoring vigorous opposition to S. 1349.

This bill proposes to amend the Fair Labor Standards Act so as to increase the statutory wage for all classes of labor except those which are specifically exempted by law from the statutory minimum rate of 40 cents per hour to 65 cents per hour the first year, 70 cents per hour the second year, and 75 cents per hour the third year and each year thereafter.

We believe the interest of labor, as well as the national interest, would be better served through placing much greater emphasis upon the justice and importance of maintaining an adequate annual income for labor earned through increased production rather than keeping chief emphasis upon an hourly wage. We believe also that industry should recoguize that its interest as well as the national interest, requires placing greater emphasis upon volume production and total profits rather than depending upon the profit on the unit of production.

These are crucial days for the future of our Nation. All economic groups face tremendous responsibilities to contribute and likewise share the reconversion of our wartime economy to a peacetime basis so as to provide good jobs in private employment for all who are willing and able to work. To achieve this task requires a spirit of unselfishness, sacrifice, and patriotic cooperation.

Congress has provided a parity yardstick as a goal to guide governmental policies in safeguarding farm prices. The Agricultural Adjustment Act of 1938, which contains the parity yardstick prohibits the utilization of the powers of that act to increase or maintain farm prices above parity. We are opposed to the proposed increase in minimum wages unless some equitable formula is established whereby such increases will be based upon a relationship to parity.

The increases in the statutory minimum wage rates as proposed in S. 1349 would throw farm prices and labor costs out of balance. While labor employed on the farm is exempted from the Fair Labor Standards Act, farmers have to compete with industry in obtaining farm labor. If minimum wage rates, particularly in industries which are closely related to agriculture, or in the areas of agricultural production, are greatly increased, as proposed in this bill, many farmers will inevitably be forced to pay correspondingly high wages for farm labor. Farm prices as well as industrial prices would have to be proportionately increased but farmers who sell in a free market have no assurance that they would reecive these higher prices.

S. 1349 would also amend the Fair Labor Standards Act so as to eliminate the exemption of agricultural labor employed in the "area of production." This would affect labor engaged in the packing, handling, preparation for market, and processing of agricultural commodities in the area of production. We are opposed to this amendment in its present form. Most of the national farm organizations unitedly supported the agricultural exemptions provided by Congress in the Fair Labor Standards Act. There were very good reasons for such exemptions. It is difficult to apply wage and hour provisions to these agricultural operations which are so closely related to agriculture in the rural areas without penalizing farmers. It is well known that increased cost in packing, processing, or otherwise preparing agricultural commodities for market, particularly in these rural areas, generally resulted in reducing the price returns to farmers. That was one of the principal reasons that Congress provided these exemptions for this class of labor. Another important reason is the difficulty of applying hourly limitations to the processing and handling of agricultural commodities, many of which are highly seasonal and perishable in character.

We recognize the difficulty of defining the term "area of production." However, if the term "area of production" is to be eliminated, then we insist that agricultural operations be fully exempted from the maximum hour provisions of the Fair Labor Standards Act.

We believe the best solution to the problem is to amend the Fair Labor Standards Act so as to substitute for the present definition of agriculaural labor in that act the definition of agricultural labor which is contained in the Social Security Act. The definition in the Social Security Act has been in effect for several years and is generally satisfactory to agriculture.

Under the present law, actions may be maintained by employees for claims of unpaid minimum wages or unpaid overtime compensation at any time no matter how far removed from the time the action accrued. It is a well accepted principle of law that there should be a settlement of claims within a reasonable period after their origin. Statutes of limitations have been created, founded upon the general experience of mankind that claims which are valid are not usually allowed to remain neglected if the right to sue thereon exists. We do not think that the 5-year statute of limitation provided for in S. 1349 is a reasonable time. We recommend that a statute of limitation of not more than one year be esablished wihin which to maintain such actions.

We would appreciate it very much if you would bring this statement to the attention of your committee, and incorporate it in the record of its hearings on this bill.

Sincerely yours,

EDW. A. O'NEAL, *President.*

EXHIBIT 10

STATEMENT OF CHESTER C. THOMPSON, PRESIDENT, THE AMERICAN WATERWAYS OPERATORS, INC., WASHINGTON 4, D. C., SUBMITTED TO SUBCOMMITTEE OF THE SENATE COMMITTEE ON LABOR AND EDUCATION ON S. 1349

This statement is made by Chester C. Thompson, president, the American Waterways Operators, Inc., a national association of domestic water carriers operating on the inland rivers, intracoastal canals and waterways, the bays, sounds, and harbors of the United States. The association maintains its principal office at 1319 F Street NW., Washington, D. C.

The carrier members of this association are engaged in the transportation of every commodity which is susceptible to movement by water, including a very large volume of petroleum and petroleum products, coal, sulfur, steel, and grain, and general cargo. The carriers in the association are divided into three general classes: (1) private carriers, who perform as a division or department of a corporation or business whose principal business is other than the transportation of cargo by barge; (2) contract carrier, or those who transport commodities, generally bulk commodities, at established rates under contract with a few shippers; and (3) common carriers, or those who transport for the public generally at rates filed with the Interstate Commerce Commission and subject to its control.

Territorially, members of this association operate almost everywhere in the United States where water transportation is feasible, particularly throughout the Gulf Intracoastal Canal from western Texas points to Louisiana and Florida destinations or from the same origin points over the entire Mississippi River system, including the Ohio River and its tributaries and the Illinois Waterway. They also operate on the Atlantic Intracoastal Waterway from Miami, Fla., to Wilmington, Del., on the Columbia River, and in various ports, harbors, and adjacent navigable waterways.

The domestic water carriers are intensely interested and concerned about the provisions of sections 6, 7, 8, and 13 of S. 1349, as the provisions thereof will have a most adverse effect upon the successful conduct of their businesses. Section 13 of the bill contemplate the repeal of the seamen's exemption contained in the present Fair Labor Standards Act of 1938.

It is the considered opinion of the industry that the removal of the present exemption and the placing of seamen (deckhands, firemen, oilers, wipers, cooks, messboys, etc.), including licensed boatmen (masters, pilots, mates, and engineers) under the provisions of the Fair Labor Standards Act will destroy the industry because it cannot operate successfully and profitably under the act.

The legislative history of the Fair Labor Standards Act clearly shows that the maritime unions themselves advocated the exemption of seamen and were supported in such position by the industry because both knew from experience that it was not possible to successfully operate vessels under its provisions. There have been no developments since 1938 that have indicated this position was not proper, in fact war operations, and those presently prevailing, indicate the need of continuing the seamen's exemption contained in the 1938 act.

Employees on the vessels of domestic water carriers are not underpaid. Through collective bargaining processes they have received substantial increases in compensation and improved working conditions during the period they were exempt from the Fair Labor Standards Act. The industry and its members will continue to grant increases in compensation and to improve working conditions for such employees when and as general economic and business conditions warrant. Due consideration must be given to the fact that the principal competitors of the water carriers, namely the truck lines and railroads, are, and will continue to be, exempt in whole or in part from the provisions of the Fair Labor Standards Act.

The following indicates the typical increases in compensation received by domestic water carrier vessel personnel. Similar increases could be shown for other classifications of such personnel.

Compensation, Prior to June 1, 1943

Messboy received $90 per month, or $1,080 per year, with 72 days off per year. Actually worked 3,516 hours per year with hourly rate of 31 cents.

Deckhand received $115 per month, or $1,380 per year, with 72 days off per year. Actually worked 3,516 hours per year with hourly rate of 39 cents.

Wiper received $120 per month, or $1,440 per year, with 72 days off per year. Actually worked 3,516 hours per year with hourly rate of 41 cents.

Compensation, June 1, 1943, to June 1, 1944

Messboy received $90 per month, or $1,080 per year, with 105 days off per year. Normal basis: 3,120-hour work year at hourly rate of 35 cents. War basis (work 9 out of 12 days): 4,066-hour work year at hourly rate of 43 cents (monthly earnings, $145; yearly earnings, $1,740).

Deckhand received $115 per month, or $1,380 per year, with 105 days off per year. Normal basis: 3,120-hour work year at hourly rate of 44 cents. War basis (work 9 out of 12 days): 4,066-hour work year at hourly rate of 54 cents. (monthly earnings, $184; yearly earnings, $2,208).

Wiper received $120 per month, or $1440 per year, with 105 days off per year. Normal basis: 3,120-hour work year at hourly rate of 46 cents. War basis (work 9 out of 12 days): 4,066-hour work year at hourly rate of 57 cents (monthly earnings, $192.50; yearly earnings, $2,310).

Present wage scale

Messboy receives $121.50 per month, or $1,458 per year, with 105 days off per year. Actually works 3,120 hours per year at hourly rate of 47 cents.

Deckhand receives $139 per month, or $1,668 per year, with 105 days off per year. Actually works 3,120 hours per year at hourly rate of 53 cents.

Wiper receives $139 per month, or $1,668 per year, with 105 days off per year. Actually works 3,120 hours per year at hourly rate of 53 cents.

Proposed under 65 cents minimum without overtime payments and under generally existing practices

Messboy will receive $158 per month, or $1,896 per year, with 122 days off per year. Actually works 2,916 hours per year at hourly rate of 65 cents.

Deckhand will receive $180 per month, or $2,160 per year, with 122 days off per year. Actually works 2,916 hours per year at hourly rate of 74 cents.

Wiper will receive $180 per month, or $2,160 per year, with 122 days off per year. Actually works 2,916 hours per year at hourly rate of 74 cents.

In addition to the compensation shown, all vessel personnel is furnished subsistence, meals, and lodging, which costs the employers or the operators of vessels, according to the National War Labor Board, $1 per day per person. That this figure is too low is indisputably revealed by the records of the employers, which indicate an average cost of $2 per day per person.

If the present seamen's exemption in the Fair Labor Standards Act is repealed, and vessel personnel made subject thereto, the following compensation must be paid in addition to the cost of subsistence, which is an expense to the employers the same as wages paid:

Proposed rate under S. 1349 with 65 cents hourly minimum and time and one-half for all hours over 40 per week

Messboy will receive $300 per month or $2,389 per year (assuming he takes off 122 days per year without pay). Actually works 2,916 hours per year at average hourly rate of 82 cents.

Deckhand will receive $340 per month, or $2,720 per year (assuming he takes off 122 days per year without pay). Actually works 2,916 hours per year at average hourly rate of 93 cents.

Wiper will receive $340 per month, or $2,720 per year (assuming he takes off 122 days per year without pay). Actually works 2,916 hours per year at average hourly rate of 93 cents.

The above computations do not take into consideration that on Saturday afternoons, Sundays, and holidays, the vessel crews only perform the work required for safe navigation, and only work 8 hours per day while vessel is in port. The existing and accepted practice in the industry grants boatmen a considerable number of days off with full pay, the number ranging up to 122 days per calendar year and averaging in excess of 100 days per year per employee.

The wage rates shown above only cover the three lowest paid classifications of vessel personnel employed on river towboats. Other wages for similar personnel are comparable. Mates, engineers, and assistant engineers, pilots, master pilots, and captains now receive wages far above those shown here for the common labor aboard these vessels. Master pilots on the Mississippi River system, for example, generally receive, now, $550 per month, plus 105 days a year "leave time," which is paid for at the regular monthly rate.

Particular attention is directed to the rates of pay which would be payable under a strict application of the terms of S. 1349. Messboys would receive approximately $300 a month for the time actually worked, computed on the basis of 65 cents per hour for the first 40 hours' work and time and one-half for the remaining 44 hours work in each workweek.

The annual wage rates have been computed on the assumption that the employees would take off 122 days per year without pay, although if they should work any part of this time, their annual earnings would be substantially increased on the basis of the rate of $300 per month.

The rates for deckhands and wipers shown in above examples are computed on a percentagewise differential increase of the 65-cent minimum for the lowest paid classification (messboy), based on the existing wage differential in rates of pay for these job classifications. It should be strongly emphasized that the rates of pay shown on an annual basis allow for the employees taking 122 days per year "leave time" without pay. But the cost to the company would remain constant at the monthly rates shown because while one employee was taking "leave time," another man would be employed at the same rate of pay to perform the necessary work.

It is most interesting to consider the testimony presented by labor representatives in support of this bill. The most pronounced statement was made by Mr. Howard McKenzie, vice president of the National Maritime Union of America, who spoke for the CIO Maritime Committee on behalf of its many affiliates. Mr. McKenzie, in his written presentation which consisted of some 42 legal-size pages, devoted approximately 40 pages to the deep sea and Great Lakes operation and the balance to inland rivers. Insofar as the first two were concerned he advocated the full provisions of the bill. Insofar as river operators were concerned, however, he advocated that the minimum wage be set at 65 cents, but he admitted that the small craft operating on the rivers have structural limitations which do not permit carrying sufficient men to stand four 6-hour watches. He stated that:

". . . constructive compliance with the 40-hour provision of the bill can be secured in another way. The towboat companies have themselves shown how. The method needs only to be improved and extended.

"As stated, the towboat and barge companies allow their men, in lieu of short hours or weekly rest days, a number of paid leave days monthly. These paid free days range in number with different companies from 60 to 122 a year. There is no valid reason for either the diversity or the smallness of these numbers.

"The Fair Labor Standards Act now requires payment at the ratio of time and one-half for all hours worked beyond a 40-hour week. If the boatmen must work an 84-hour week, they should be compensated by being allowed paid free time in the same ratio—an hour and one-half for every hour worked beyond 40 weekly.

"To give the men credit for time and one-half, the number of leave days for all of them needs to be increased to 122 a year, the present maximum in some companies. In this way the practical difficulties of providing a rigorous 40-hour week on these types of boat could be overcome with substantial justice to the men." [Emphasis supplied.]

From this last statement of Mr. McKenzie, which we have italicized, it is evident that his approach for river boatmen is entirely different from that which he used in the case of the deep sea vessels. Numerous companies on the rivers are meeting with Mr. McKenzie's representatives daily and as the economic situation permits they rapidly reach the 122 days which he states is all that is necessary to accomplish the purpose of the act insofar as hours and overtime are concerned. Negotiations between labor and management in this industry have made rapid progress, therefore there appears to be no need for statutory compulsion.

In order that the record may be clear it is felt that comment with respect to statements of certain officials should be offered. Mr. L. Metcalfe Walling, Administrator of the Fair Labor Standards Act, in his written statement beginning on page 9 advocates the elimination of the seamen's exemption. While it is true that he addresses himself principally to the deep sea operation, there are certain statements which bear upon the inland operations which do not precisely reflect the picture, nor are the reasons advanced by him applicable in the inland industry.

It should be noted in passing that Mr. Walling stated that the Maritime War Emergency Board had dropped bonuses as of October 1, 1945, on deep sea operation, and it was his thought that the 65-cent minimum be adopted in lieu thereof in order to maintain incomes on the basis of seamen's wartime income. Such being

the case, it appears that his position with respect to inland seamen must be different for the reason that there has been no reduction in the take-home pay in the inland industry such as that in the off-shore trades. On the contrary, and as has been shown previously in this statement, inland seamen have enjoyed steady increases in their wages.

The domestic-water-carrier industry is an important element in the national transportation system. It is so recognized in the Transportation Act of 1940. The policy of Congress declared in that act requires that the inherent advantages of each form of transportation shall be preserved and maintained in the public interest. The domestic-water-carrier industry has proved its worth and its value during the war when millions upon millions of tons of war freight and equipment were transported by it on the inland waters of the Nation.

The industry provided transportation services in the war effort that could not have been furnished by any other transportation service. This included the movement of combat and other craft built in inland and Great Lakes shipyards for the Army, the Navy, and the Maritime Commission. The services provided by the industry in the harbors and on the inland waterways prevented a break-down in transportation in the critical period of the war, and thus helped to a most substantial degree in the winning of the war on all fronts.

As stated herein, the removal of the present seamen's exemption in the Fair Labor Standards Act, as contemplated in section 13 of S. 1349, will be detrimental to the domestic-water-carrier industry. The repeal of such exemption will single out one specific type of transportation for coverage under the Fair Labor Standards Act, and place burdens upon that one type that will most seriously handicap it in providing needed and desirable transportation services to the Nation and its shippers, and in competing for business with other types of freight-moving services.

The industry and its employees have made much progress in the matter of collective bargaining as to wages and working conditions. Negotiations for collective-bargaining agreements have been in the hands of those familiar with actual working conditions and practices peculiar to the industry. The economic condition of vessel personnel employed on the inland waterways and harbors can best be improved by collective-bargaining processes, and not by statutory requirements. Conditions in this industry are much different from those of any other industry and are so recognized by all concerned.

Therefore, it is strongly urged in the interest of the continued development of the domestic-water-carrier industry, in the interest of stabilized and maximum employment therein, that S. 1349 be amended so as to continue the present seamen's exemption in the Fair Labor Standards Act of 1938.

EXHIBIT 11

RECOMMENDATIONS OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC., WITH RESPECT TO THE FAIR LABOR STANDARDS ACT

The Associated General Contractors of America recommends that action taken by the Congress in amending the Fair Labor Standards Act should include a statute of limitations of 1 year during which actions could be brought for damages.

With reference to S. 1349, the association recommends that section 16 (b), page 13, be amended to reduce the limitation from 5 years to 1 year.

The principal reason for making this recommendation is that the greatest uncertainty exists as to application of the Fair Labor Standards Act to construction operations. Many organizations in the industry could be bankrupt by suits brought under this act, even though the organizations made every effort to comply with the act, and even though they followed the instructions of the Federal agency for which they were performing work.

Suits brought under the act against general contractors would not be for payment of minimum wages, because construction wages, with negligible exceptions, are and have been higher than the minimum specified by the law. The suits would be principally for overtime pay, either for nonmanual employees, or for some manual employees who were employed in accordance with prevailing customs of the industry or union agreements.

UNCERTAINTY OF APPLICATION

The wage-and-hour law is limited in application to persons "engaged in commerce or in the production of goods for commerce." The extent to which various construction operations constitute engaging in interstate commerce, or producing goods for interstate commerce has not yet been determined, for the purpose of this act, although the law was enacted in 1938.

Decisions of courts alone can determine definite application of the law. There have not yet been sufficient cases decided to give a clear determination of application of the law to construction operations.

Should the courts this year, for example, decide that certain types of construction operations are covered by the act, many general contractors who acted in good faith would be subject to suits for recovery of overtime payment, plus double damages, attorney's fees and court costs, for cases going back over a period of years. It is obvious that some protection in the Federal Statute is necessary.

INTERPRETATIONS OF THE ADMINISTRATOR

The principal guides at the present time to application of the law to construction operations, are interpretations of the administrator. The principal one of these applying to construction is Interpretative Bulletin No. 5, issued originally in December 1938, and revised in 1939 and 1941.

Interpretative Bulletin No. 1 states, however:

"The statute does not confer upon the Administrator any general power to issue rulings including industries within the coverage of the act, or excluding them. * * * Interpretations announced by the Administrator * * * serve, therefore, to indicate merely the construction of the law which will guide the Administrator in the performance of his administrative duties, unless and until he is directed otherwise by authoritative rulings of the courts."

In an explanation to Interpretative Bulletin No. 5 in 1941, the Administrator rendered the opinion that the original construction of buildings was not covered by the act, but that the repair, maintenance, and reconstruction of the buildings used to produce goods for commerce were covered. He then stated that the line of demarcation between new construction and reconstruction was difficult to determine. He stated:

"Of course, 'original construction' and 'reconstruction' are legal concepts which have no existence, so to speak, in the natural order of things. For our purpose 'original construction' on the one hand and 'reconstruction' on the other must be taken to mean our best prediction of what the courts, having due regard to the policy which Congress has expressed in Section 2 of the act, to the specific technical details of the operations in question, and to the effect of previous court decisions, will hold to be included in the respective terms."

On the construction of facilities for essential instrumentalities of commerce, in 1941 the Administrator wrote:

"The division does not take a definite position concerning the status under the act of employees engaged in the original construction of essential instrumentalities of interstate commerce."

The uncertainty which exists by reason of statements of the Administrator also relates to production of construction materials. In his explanation of 1941 the Administrator stated:

"Employees engaged in producing materials such as sand, gravel, asphalt, concrete, macadam, or railroad ties, to be used solely within the State in the construction, maintenance, repair, or reconstruction of essential instrumentalities of commerce do not become subject to the act merely by reason of the use to which such products are put."

In March 1945 he reversed this interpretation. He stated:

"Employees must be considered engaged in the production of goods for interstate commerce when engaged within a State in such activities as producing ice, electric energy, railroad ties, crushed rock, bituminous aggregate, ready-mixed concrete, telephone or telephone poles, or other similar items for use or consumption wholly within the same State by interstate railroads, telegraph or telephone companies, etc., in carrying on interstate transportation or communications; or for use or consumption within the State in the maintenance, repair, or reconstruction of essential instrumentalities of interstate trade, commerce, transportation, transmission, or communication."

HIGHWAY CONSTRUCTION

A further example of uncertainty of application of the act to construction was provided in highway work. In March 1939 the Bureau of Public Roads, then in the Department of Agriculture, instructed State highway departments to insert a clause in all Federal-aid highway work requiring compliance with the Fair Labor Standards Act. This action was taken following advice by Elmer F. Andrews, Wage and Hour Administrator at that time.

In July 1940 the United States Comptroller General ruled that the Government had no legal authority to require compliance with the law as a matter of contract conditions. He wrote:

"You are informed that, aside from any consideration as to whether employees engaged, wholly within a State, in the construction, alteration, or repair of a road are covered by the Fair Labor Standards Act, as to which I express no opinion, and which appears from the correspondence to be somewhat an open question with the Wage and Hour Division, Department of Labor, there would appear to be no legal authority—as there would appear to be no need—for the inclusion in government contracts of a requirement for compliance with the act, or of any other reference to the statute."

WAR WORK

One further example of the uncertainty faced by general contractors with respect to the act is in the case of wartime construction. Under cost-plus-a-fixed fee contracts the general contractor is for all practical purposes the agent of the Government. As such he is subject to the instructions of the Government agency for which he performs the work.

At the present time a great number of suits are pending against contractors for alleged failure to pay overtime pay to nonmanual employees whose status under the wage-and-hour law has not been clearly determined. These contractors were operating under orders of the War or Navy or other departments as to overtime pay. These contracts are now closed. Should the suits be decided against the contractors, they would be required to pay from their small fees the damages, attorney's fees and court costs even though they had followed instructions of the federal agencies.

CONCLUSION

These examples have been cited to indicate the uncertainty which prevails as to application of the Fair Labor Standards Act to construction operations. General contractors, acting in good faith, in compliance with established practices of the industry, in accordance with union agreements, or under instructions of Federal agencies, are subject to suits brought for alleged failure to pay overtime required by the wage and hour law.

These suits in many cases could be brought long after the contract had been completed, and probably long after all records of the contract had been discarded.

In many instances it would be impossible for the contractor to locate now witnesses necessary for defense in suits, because of the nature of construction operations where a contractor works in one location on one project and may never work in that State again or with the same set of workers. Should a suit be decided against a contractor, it would be impossible for him to locate others who worked on the same project to make proper payments to them.

These examples suggest to this association the vital necessity for a statute of limitations which will require suits under the Fair Labor Standards Act, and others, to be brought within a reasonable time.

EXHIBIT 12

A STUDY OF TEXTILE WAGES IN THE SOUTH

Presented to the United States Senate Committee on Education and Labor by William P. Jacobs, President, American Cotton Manufacturers' Association, Washington, D. C.

In order to fully understand the textile wage structure in the South it is necessary to consider all major contributing factors which combine to influence the environment of a wage schedule.

The need of wage increases or decreases depends upon a wide variety of factors existing in the area, such as the cost of living, standards of living, living conditions, working conditions, available markets for the manufacturers products, the price which the market offers, length of apprenticeship, experience, education and skill required, job content, the nature of the work, the general economy of the region, wage schedule of the region and of competitive industries in the region and in the world. These and other similar factors combine to demand and justify a given wage standard.

Thus the determination of a wage is a most complicated undertaking and one which requires not only a wide range of information but also a type of specialized skill in its analysis and adaptation.

Such skills are seldom available to legislative bodies and rarely ever are lawmakers equipped with adequate experience in a specific industry to guide them safely to such important conclusions as influence the incomes of so many men and women or the permanence of the industries which offer such men and women employment.

WAGE STRUCTURE COMPLICATED

It is safe therefore to assume in the beginning of this study that the determination of wages or wage minima, or wage standards, or the adoption of permanent governmental machinery to set wage classifications, is at best a most difficult undertaking and one in which Congress can easily do more harm than good.

Since the past is often a helpful guide in determining the future it is sometimes also helpful in gaging the present. And so it may be worth while to glance at the trend of textile wages through the years passed and particularly through the upsetting period influenced by World War II and its preparatory period.

THE WAGE TREND

According to the Bureau of Labor Statistics of the United States Department of Labor the average hourly earnings of southern textile workers has been according to the following schedule:

	Cents an hour		*Cents an hour*
September 1939	36.3	September 1943	57.3
December 1941	45.8	March 1944	57.8
March 1942	48.9	May 1944	61.4
April 1942	49.3	June 1944	61.6
May 1942	50.9	July 1944	62.0
September 1942	54.9	September 1944	62.8
October 1942	55.1	December 1944	62.9
December 1942	55.5	January 1945	63.3
January 1943	55.9	March 1945	63.4
March 1943	56.3	July 1945	68.6

Thus during the war period the average hourly earnings of the southern textile mill workers have increased from 45.8 cents in December 1941 to 68.6 in July 1945, an increase of 49.7 percent.

If the comparison is extended back to the time when Great Britain entered the war so as to cover the United States war preparatory period the figures would show an increase from 36.3 cents per hour in September 1939 to 68.6 in July 1945 or an increase of 88.9 percent. This comparison would appear to more fully reflect the abnormal increases which resulted from the war.

THE COST OF LIVING TREND

A comparison of the cost of living of wage earners by the National Industrial Conference Board at the time Great Britain declared war, September 1939, shows an index figure of 85.4 as compared with 1923 as 100. This figure compares with July 1945, 106.9 an increase for the entire war and war preparatory period of 21.5 index points or an increase of 25.2 percent. This compares with the wage increase figure of 88.9 percent.

If the shorter period covering the time when the United States was at war is used we have an index figure as of December 1941 of 93.2 to compare with the latest figure of July 1945 of 106.9 or an increase of 13.7 index points or 14.7 percent. This compares with the wage increase figure of 49.7 percent.

There is another interesting report of the National Industrial Conference Board hearing on this subject in the form of the increase in the cost of living of wage earners in 60 cities. These figures show an increase in index points from 100.6 in September 1939 to 128.0 in May 1945, an increase of 27.4 index points or 27.2 percent for the longer war period as compared with a wage increase figure of 88.9 percent.

For the shorter period this type of comparison shows an increase in index points from December 1941 to May 1945 of 110.5 to 128.0, an increase of 27.5 index points or 24 percent. This compares with the wage increase figure of 49.7 percent.

Of these 60 cities only three of them—Atlanta, Birmingham and Macon—have textile mills and only in Macon are textiles the major industry of the city. Nevertheless the percentage of increase in the cost of living of wage earners in these 3 cities is approximately the same as the average of the 60 cities. To be specific the increase is from an average of 112.2 in December 1941 to 128.4 in May 1945 or 14.4 percent.

However there are those who will say that the wage expressed in dollars and cents is misleading because the dollar meanwhile has decreased in value by virtue of the increase in the cost of living. And so it is well to consider the record of the National Industrial Conference Board on this phase of the subject.

PURCHASING VALUE OF THE DOLLAR

In their Economic Almanac of 1945–46 they show the purchasing value of a dollar based on changes in the cost of living to be 117.1 index points in September 1939 as compared with 93.5 in July 1945, a decrease of 23.6 index points or 20.1 percent. This decrease compares with the wage increase in the same period of 88.9 percent. Thus the worker's dollar is now worth about 20 cents less than when Britain went to war but he has just 12 cents less than twice as many of them.

The same comparison over the shorter period in which the United States was actually at war shows the index points of dollar value in December 1941 at 107.3 as compared with 93 5 in July 1945, a decrease of 13.8 index points or 12.8 percent. This compares with the wage increase in the period of 49.7 percent. Thus the worker's dollar today is worth about 13 cents less than it was pre-Pearl Harbor but the worker has about half again as many more of them.

These figures are in the main substantiated by the wage report of the National War Labor Board to the President on the wartime relationship of wages to the cost of living, dated February 22, 1945, which shows, among other things, that they calculate the cost of living showing an increase in January 1941 to October 1942 of 20.5 percent and from January 1941 to October 1944 of 29.5 percent. At the same time contrast these increases in the cost of living with a still greater increase in the average straight-time hourly earnings covering all types of manufacturing from January 1941 to October 1942 of 21.5 percent and from January 1941 to October 1944 of 36.7 percent.

All of the reliable figures available indicate that the wages of the textile worker in the South have increased considerably more than has the cost of living for these same workers. However, the figures available do not fully reflect the most recent increases in wages ordered by the War Labor Board in cases of cited mills and authorized by the War Labor Board in response to the voluntary applications of noncited mills. These increases, involving a minimum of 55 cents an hour, an increase of 5 cents across the board, that is to workers of all classifications, a third shift differential and a week's vacation with pay, have found general adoption throughout the southern textile industry. The first two provisions have been more uniformly adopted than the last two but the net result

of these adoptions have been an increase of from 8 percent to more than 17 perccent depending upon the number of these four provisions adopted by the individual mill.

These adoptions have occurred within recent weeks. Had the attending increases been reflected in the figures heretofore quoted the percentage increase in the average hourly earning of the southern textile workers would have been even greater than the figures shown. Even now southern textile wages continue to increase. On the other hand, however, there are indications that within recent weeks the trend of the cost of living has been slightly downward. In their issue of September 1945 the Conference Board Business Record stated in an article by G. M. Graybill, Jr., Division of Labor Statistics, "Relatively little movement was exhibited by the July cost-of-living indexes in the 63 industrial cities surveyed. Twenty-three cities showed an increase, while in 26 cities the index declined; 14 cities showed no change. The changes all fell within comparatively narrow limits since the largest increase was 0.7 percent and the greatest decrease was 0.6 percent. Actually, less than one third of the city indexes rose or declined more than 0.2 percent."

October 8, 1945, the Wall Street Journal quoted the National Industrial Conference Board, as follows: "Living costs during August dropped slightly from the 24-year high of June and July, according to the National Industrial Conference Board. The NICB index, which charts the cost of living for the average family of wage earners and lower-salaried clerical workers in the United States, stood at 106.6 (1923=100), compared with 106.9 in June and July. The decline in the general index was due almost entirely to a drop of 0.9 percent in food costs."

Since the contemplated legislation on the worker's wage anticipates a future need, it is interesting to note the current developments in wages and in cost of living. There seem to be no factors on the horizon which would indicate a greater need to increase earnings than those which prevail today.

Thus the relative increase of the wage over the cost of living while not entirely trustworthy for comparison at least indicates strongly that the southern textile worker is better able to afford a higher standard of living today than he was before the war.

THE STANDARDS OF LIVING

Surveys made of the homes in textile mill communities before the war showed that some have electric refrigerators, many have automobiles, and practically all have radios. The nature and grade of furniture and other equipment in the southern mill home compares favorably with that owned by workers in most other major American industries.

There appear to be no competent studies which accurately portray the standards of living of the southern textile worker since the war. It is known, of course, that new automobiles, electric refrigerators, radios, and many other types of equipment were not available during the war. It may be assumed that some of the old equipment became useless as a result of long and continued use without replacement and adequate repair. For this reason therefore ownership of this type of equipment per person may appear to be reduced now as compared with the period when such items were new, plentiful, and purchasable. Such a circumstance however would not necessarily reflect a reduction in standards of living or a reduction in financial ability to afford such luxuries.

WHAT IS A SUBSTANDARD?

For several years efforts have been made by some inadequately informed economists to prove substandard conditions in the southern textile mill villages, but all such efforts have failed. The case has never been proven.

On the whole as compared with other American industries and as compared with the nonindustrial communities near them, the southern textile mill villages show most favorably. Clean streets, sewer, running water, electric lights, parks, playgrounds, swimming pools, adequate hospital, school, and church facilities abound and are the rule rather than the exception in southern textile mill villages and these factors added to splendid climate, healthful altitude, trees, flowers, fresh gardens, cows and poultry with abundance of room, sunshine, and fresh air indicate that the living conditions of the southern textile workers are superior to other regions.

The setting of a minimum wage by law can only be justified by an effort to correct substandards. No other circumstances will justify the entry of Congress into such a controversial field as wage fixing.

If the living conditions of southern textile workers were on such a low level as to resemble the cabins of the backwoods farm tenants, the hovels of the city Negro slums, the crowded filthy conditions of the Bowery in New York, or the unsightly, crowded, dirty slums of other industrial cities of the North and West, then southern textile living standards might well be called substandard. But such is not the case. For industrial communities the southern textile villages are well above the average and many of them stand at of near the top in aesthetics, sanitation, sobriety, security, and comfort. Normally food is plentiful, relatively inexpensive, fresh, and found usually in large varieties. Clothing and other necessities of life are reasonable and adequate for the mild climate. The houses are clean, comfortable, and not unattractive. The finest of medical care and educational facilities are available and the southern textile vilages are notably religious. The church is always prominent in the community life.

There is usually a splendid communiity spirit. Recreation is well organized Cultivation of home gardens is practiced. Sports abound in well organized leagues. There is ample time after the 8 hours of daily work to afford a full community life, some social contacts, the church, the movies, and other cultural influences.

By any comparable yardstick it is safe to say that living standards in the southern textile mill villages are far from substandard. Furthermore it is necessary before determining a substandard condition to first adopt the requisites of a standard. So far as it is known there is no such thing as standard living conditions in individual communities. What is standard for one section may be below or above standard for another. The requisites of a severe climate may be far more exacting than those of a milder climate. Personal tastes, inherited social tendencies, and many other factors all combine to set essentials of a living standard. No well informed person who recognizes the complexity of this subject would attempt to determine a standard and until such a standard is produced no one can accurately conclude what a substandard is.

Considering, therefore, the living conditions and the living standards of the southern textile worker and his community it is reasonable to make two observations:

1. Neither is substandard.
2. Wages adequately enable him to afford standards of living which are in keeping with the level of society which has has chosen and in which he lives happily.

EFFECT OF TEXTILE PRICES ON THE WAGE

The element in the industrial picture which more seriously affects the wage structure is the matter of the price obtained for the sale of the product manufactured. The lower the price and the narrower the margin the more difficult it is for the industry to afford a higher wage structure.

In the case of southern textiles the industry has operated in what is commonly known as a buyer's market for the greater portion of its history. The textile industry in America reached the zenith of its growth in the years 1920 to 1923, when the total spindles in operation amounted to 33,700,000. The production high point was reached during the years of the recent war due to the development of the third shift and overtime operations in emergency. However, with the exception of the emergency period during the current war and a brief period during and following World War I, practically all of the years since 1928 have been years in which the industry has sold its products at prices which were largely dictated by its customers. It is always difficult to tell what you might have gotten if you hadn't gotten what you did get, but realizing that the perennial buyers' market has made a narrow margin a normal condition for textile fabrics, it is reasonable to assume that had the products afforded the higher prices through the years southern textile wage schedules could have been higher. Wages represent a relatively large percentage of the cotton mill dollar, usually between 25 and 35 percent. An increase in other elements of cost in the cotton-mill dollar such as raw material, supplies, taxes, all have a definite effect upon the element of cost which is represented by wages and any decrease in the total revenue from sales of the product will obviously pinch all elements of cost.

EFFECT OF OTHER COST INCREASES

Thus, proper consideration of an adequate wage structure in the southern textile industry necessarily involves the consideration of the price of raw cotton

which has increased from 9 cents to 23 cents during the war period, taxes which also have greatly increased, supplies, another element of cost which has also increased, and also the consideration of the prices for the goods which the market will afford. Currently the prices are set by the OPA, and they are not set quickly enough to reflect the rising costs. The resulting pinch has been one of the problems which the industry has had to face. Now that the war is over, if past history is a dependable guide, it is necessary for the industry to recognize the approach of another long and hard period in which a buyers' market condition will prevail.

THE COTTON-MILL DOLLAR

Any abnormal increase in the cost of production due to wages will obviously, therefore, jeopardize the future of the industry as it passes through the lean periods which are inevitably ahead. Any step which jeopardizes the future of the industry, whether it be higher wages or other factors, simultaneously jeopardizes the permanency of the worker's employment. It is not difficult to say, therefore, that if the workers receive an increase in wages at the expense of the security of employment they jeopardize their own future. According to the Federal Trade Commision in their report of 1936 the cost of all materials in cotton textile manufacturing was 45.2 cents of a dollar, leaving a gross margin of 54.8 Out of this margin came the labor cost of 25.4, other expenses including taxes, power, supplies, etc., 20.9, leaving a net profit for interest on investment of 4½ cents out of a dollar. An analysis of the same nature by the Journal of Commerce some time later showed that in 1940 the figures for cost of materials was 42.0, gross margin 54.8, labor cost 25.0, other expenses 19.6 and net profit 5.4. Since that time all the elements of cost have greatly increased at the expense of the net profit to the point where unless there is a striking increase in revenue from sales, the industry is not in a position to absorb any material increase in any of its elements of cost.

LIQUIDATION OF THE TEXTILE INDUSTRY

The cotton textile industry is in process of liquidation in America. Liquidation has been more drastically felt in New England than in the South, but even the Southern States have lost ground. The record is as follows:

U. S. Cotton Textile Industry (spindles active—4 year average, millions of spindles) (1925 omitted)

1918–21	33, 600, 000	1929–32	26, 700, 000
1919–22	33, 500, 000	1930–33	25, 300, 000
1920–23	33, 700, 000	1931–34	24, 800, 000
1924–28	31, 500, 000	1932–35	24, 200, 000
1922–26	32, 800, 000	1933–36	24, 200, 000
1923–27	32, 700, 000	1934–37	24, 000, 000
1924–28	31, 500, 000	1935–38	23, 200, 000
1926–29	31, 300, 000	1936–39	23, 000, 000
1927–30	30, 100, 000	1937–40	22, 700, 000
1928–31	28, 400, 000	1938–41	22, 400, 000

It is interesting to note a steady decrease in total spindles since 1920–23 and a steady decrease in active southern spindles since 1929. It is also worthy to note that as the elements of cost have reached the highest points in the history of industry, there has been a steady decrease in the consumption of cotton since 1942. The consumption of cotton daily for the first 6 months in 1942 was approximately 45,000 bales average. This average had decreased to approximately 32,000 in July 1945.

THE MANUFACTURING MARGIN OVER COTTON

The trend of textile fabric prices is perhaps clearly indicated in a representative way by the Survey of Current Business September 1945, Bureau of Foreign and Domestic Commerce, United States Department of Commerce, in a quotation of

print-cloth price trends. Print cloths are typical textile fabrics. The average margins for print cloths over and above cotton costs per pound were as follows:

	Cents per pound		*Cents per pound*
First half of 1941	26	Second half 1943	27¾
Second half 1941	26¾	First half 1944	27
First half 1942	28	Second half 1944	29
Second half 1942	29	First half 1945	28
First half 1943	27		

The net increase in margins for the 4½-year period was 2 cents per pound. This means that the print-cloth manufacturer received 2 cents per pound for his goods more in the first half 1945 than he did in the first half 1941 and out of this increased margin of 2 cents it was necessary for him to absorb increases in all other elements of cost. We have already mentioned that during this same period in January 1941 to June 1945 there was a net increase in average hourly earnings of the textile industry as a whole of 26.8 cents, or an increase of 66.5 percent during that period. This compares with the increase of 2 cents per pound or 7.7 percent margin over the price of cotton. This would not indicate that the cotton manufacturer has any margin left within which to absorb a great increase in wages.

THE THIRD EXODUS

This trend should have a very distinct bearing upon any wage policies adopted for this industry, for any increases in wage cost which are too drastic will be immediately reflected in a future decrease in cotton consumption or further liquidation of spindles. As the liquidation of American spindles continues the industry is undergoing the third exodus of cotton textiles. The first exodus was from Old England to New England. The second exodus was and in a small way still is from New England to the South. The third exodus, retarded temporarily by the war, is from the South to the Orient and to South America. Already a number of southern mills have been sold to foreign interests and are awaiting official approval for dismantling and export. A resumption of this trend can be very serious.

VALUE ADDED BY MANUFACTURE

It is well to note here that from the standpoint of value added by manufacture, paid in wages, the southern textile industry is high on the list of manufacturers in America.

Proportionately the labor ratio in textiles is already higher than in most other industrial operations. For instance in South Carolina the study of the major industries in that State in 1938 shows that the percent of value-added-by-manufacture paid in wages in South Carolina was as follows:

	Percent		*Percent*
Cotton manufactures	68	Bread and other bakery products	34
Lumber and timber products	55	Printing and publishing	26
Furniture	49	Fertilizer	24
Planing mill products	39	Ice manufactured	22

SOURCE: U. S. Bureau of Census.

According to the United States Bureau of Census, July 1938, the percent of value added by manufacture paid in wages in all New England industries was 45 percent and all industries in United States 38 percent, in all industries in South Carolina 57 percent, in cotton manufacture in South Carolina 68 percent.

APPRENTICESHIP—SKILL

Another factor which has an unusual influence on the wage of an industry is that of the degree of apprenticeship, experience, education and skill required. In this respect the exactions of textile manufacturing are comparatively low. A spinner can be trained effectively and satisfactorily in less than 6 months' time. A longer apprenticeship is required in many of the other industry operations such as automotive, electrical apparatus, watchmaking, etc. In many of these operations a technical background is necessary, for this usually involves

the necessity of a high degree of technical education as well as skill. No education is required in the training of spinners, weavers, or carders in textiles, and with the exception of loom fixers most of the textile operations can be learned within the course of a few months. The textile worker therefore does not have to make an extensive investment in preparation for his profession.

UPSETTING THE ECONOMY OF THE REGION

Another factor influencing the wage structure is the economy of the region. If the establishment of an unusually high minimum wage upsets the economy of the region it may do more harm than good. If, for instance, the farmers are unable to pay a minimum wage competitive with the minimum wage of the textile industry which is located in the farming regions, it means that they will have great difficulty in the harvesting and replanting of their crops. In the case of southern textiles the chief competition from a labor standpoint is farm labor. Wages of the farm worker are unusually small in comparison with the textile worker. The competitive handicap is already there. A future increase in textile minima may throw the economy of this region still further out of balance.

According to the Bureau of Agricultural Economics, United States Department of Agriculture, average monthly wages of hired farm workers in the South Atlantic States in January 1942 with board was $22.34 and without board was $32.90.

COMPETITIVE INDUSTRY WAGES

An influence which directly touches the wage structure of a given industry is the influence of competitive industry wages in the area. To hold its own in the picture an industry should pay a wage rate commensurate with its position in the area in which it operates. It is interesting, therefore, to note the comparison of the wages paid in the manufacture of cotton goods in North Carolina as compared with other industries in that State. In June 1944 according to the North Carolina Department of Labor the average hourly earnings of workers in plants manufacturing cotton goods was 62.6 cents. In amount per hour this is the tenth highest among all North Carolina industries, and below it are listed 13 classifications. A similar comparison made in the State of South Carolina in 1941 showed workers in the textile plants in ninth place compared with all industries in South Carolina, and below textiles were listed 21 other classifications of industry.

With such a large list of industrial classifications paying wage schedules below the wage schedule of textiles, and with the chief source of labor on farms paying much lower schedules, it is well to recognize the vulnerability of the southern textile industry as far as the source of supply of labor is concerned for this fact has a direct bearing upon the wage schedule.

FOREIGN COMPETITION

Another comparison of importance is a comparison of the wage schedule in America with foreign countries.

While American industry occupies a position of relative security in comparison with the balance of the world, there are industrial fields where complicated operations and patented processes afford protection, such as automobiles, electrical apparatus, etc. In the case of textile, due to the simple methods of operation, any one can make cloth in any nation and many of our foreign competitors up until the beginning of the recent war were making cotton textiles in increasing quantities, particularly Japan, China, India, Brazil, and some of the European countries. Glance, therefore, at the competitive wage schedules of these foreign countries, for if the Government continues its publicly announced policy of low tariffs it will be difficult to protect the textile workers of America against the low-price labor of the Japanese, Chinese, Brazilians, the Europeans, and many other nationalities.

We have previously quoted the hourly earnings of the southern textile worker in America. They were before the war more than twice as high as the textile wages in Great Britain, four times as high as the wages in Japan and almost 10 times as great as the wages in China. The war has changed conditions considerably and the same ratios may not exist today but the situation is dangerous enough to indicate the vulnerability of the wage structure of the American textile worker as compared with foreign competitors.

There are other factors influencing the wage structure which have a direct and important bearing such as the job content, the work load, the nature of the work. These are highly complicated factors which involve considerable technical knowledge and all these factors combined to further emphasize the fact that a determination of a wage schedule is a function far beyond the normal purview of a lawmaking body.

PROBABLE EFFECT OF S. 1349

The currently proposed legislation providing for increases in minima upon such a high basis, combined with the legislative suggestions for federal determination of differentials between wage classifications is tantamount to the fixing of a wage structure. Such an undertaking would inevitably cause many embarrassments for the United States Congress, and unless the Congress is assisted by unusually competent technical advice, might result in great harm to the workers, as well as to the industry which they serve. There is a very definite question as to whether the setting of a wage structure is really the function of government.

The provisions in the proposed S. 1349 which call for an extension of the statute of limitations on payment of claims for minimum wages and overtime compensation, do not seem to have any justification. In fact, from experience there does not seem to be any real reason for the extension of the statute of limitations. There are no records of hardships caused by the 1-year limitation which is already in force and a 5-year extension would undoubtedly cause an increase in grievances and serve as a disturbing factor which would perpetually upset employer-employee relations.

If the Fair Labor Standards act and similar legislation is to be amended Congress should seek the advice and assistance of the employers before making changes and be careful to see that no drastic changes are made which may seriously upset our American economy. The war is over now. The serious emergency has passed. We should face the long pull of the future with more stabilization and less bureaucratic regimentation.

WM. P. JACOBS,

President, American Cotton Manufacturers Association.

EXHIBIT 13

STATEMENT ON S. 1349, A BILL TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938 AND FOR OTHER PURPOSES"—POPULARLY KNOWN AS THE MINIMUM WAGE BILL

By Ira Mosher, president of the National Association of Manufacturers

My name is Ira Mosher. I am president of the National Association of Manufacturers, an organization of 14,000 manufacturers whose members employ 4 out of every 5 manufacturing wage earners in the Nation. More than 70 percent of the members of NAM employ 500 or fewer workers. By far the greater number are small businesses.

Because your committee was unable to hear me on the date originally assigned to me last week, I am filing this statement in place of that appearance. Since I shall have no opportunity to reply to questions, I shall attempt to confine myself to a few fundamental observations.

These observations should raise serious question as to the economic soundness and timing of the legislation which you have invited me to discuss.

SCOPE OF THE BILL

The bill you have under consideration s of vital concern to NAM members. It not only proposes direct amendments to the wage-and-hour law to increase the statutory minimum from 40 to 65 cents an hour, with automatic increases to 75 cents an hour 2 years after enactment, but it proposes to require the Wage and Hour Administration to fix the entire wage-rate structure for each industry. I will discuss later the apparent effect of these proposals in some detail. I want to state at this point, however, that, in our opinion, the enactment of these provisions in their present form would tend to increase labor problems.

In addition to the wage features of the bill, it would materially expand coverages of the act by eliminating a number of existing exemptions, it would

extend the child-labor provisions to employers engaged "in commerce" as distinguished from those producing goods for commerce, and would establish a 5-year statute of limitations affecting employee suits for alleged underpayments.

CHILD LABOR PROVISIONS

The proposal to amend the child-labor provisions does not appear to directly affect many manufacturers in their operations since they are now prohibited by law from engaging children under 16 in connection with manufacturing, or children under 18 in hazardous occupations.

The child-labor provision of the act affecting manufacturers does not differentiate between boys and girls. However, the Walsh-Healey Public Contracts Act establishes that additional standard by prohibiting the employment of boys under 16 and girls under 18 on Government contracts for supplies. Serious penalties are invoked for the employment of girls over 16 but under 18 on Government work even though their employment would be permissible on the same work performed for other customers.

I understand that the present Wage-Hour Administrator, when serving as Administrator of the Public Contracts Division, urged the Congress to amend the Walsh-Healey Act so its child-labor terms would conform with the child-labor provisions of the wage-hour law. Had those recommendations been adopted, much unnecessary confusion might have been avoided during the war. I do not believe there is any real excuse for continuing that confusion and I urge you to repeal the child-labor provisions of the Walsh-Healy Act at this time.

PROPOSED EXPANSIONS

It is not clear to me what changes have occurred since 1938 warranting the proposals in the bill to expand coverage of the law to many employees now exempted from the wage or hour provisions or both. If one can judge from the types of work presently exempted, it could be presumed that existing exemptions were either designed to facilitate (*a*) the processing and marketing of perishable foodstuffs as in the case of the overtime exemption relating to the first processing of milk; (*b*) the distribution of farm products illustrated by the seasonal exemption for agricultural commodity processors within an "area of production"; or (*c*) to permit the continued employment of workers whose hours of work could not be definitely controlled. These latter-type exemptions include those exempting outside salesmen and seamen.

These exemptions apparently were incorporated in the act to meet real problems. Some of those I have mentioned and others not mentioned vitally affect farmers who must sell their crops when they are harvested. If a perishable commodity is not processed when ready, the result is a loss to the producer and to the prospective consumer as well. Even the so-called nonperishable products, such as ripened grains, must be marketed immediately by most farmers because they do not have facilities for keeping such products for any prolonged period. Since the proposal to expand coverage of the act would seem to affect a far larger segment of our economy than the employers and employees who would be directly affected, I recommend that your committee consider all reasons for the present exemptions before acting in this matter.

WAGE PROVISIONS

S. 1349 is popularly referred to as the minimum-wage bill. Its officially printed title is more correctly descriptive. It is "a bill to amend the Fair Labor Standards Act of 1938 and for other purposes."

It makes two major proposals regarding wages:

1. To raise the minimum hourly wage with the proviso that it cannot be paid for work requiring previous training or experience.

2. To set a minimum hourly wage structure for all other jobs, according to the skill and experience required.

I shall take these proposals separately.

First, take the proposed rise in unskilled wages, from the 40-cent hourly minimum now required by law, to 65 cents at once, 70 cents the next year, and 75 cents the following year.

The question of whether a job does require previous training or experience would seem to be confusing in the very least; might easily cause unnecessary employee grievances, and place an added burden on employers in their efforts to comply with the law, and the Government in its efforts to enforce the law.

I, therefore, seriously question the justification for defining the job for which the minimum statutory rate would be payable.

The next practical question involved is: How much would this bill add to the pay rolls of this country?

Adding up the labor force which it seems the bill will attempt to cover in interstate traffic, the annual cost of raising those now below 65 cents an hour would be $4,000,000,000.

The further annual cost of adjusting the higher wage brackets upward from this base would be $5,000,000,000.

That means a total added annual load on the pay rolls of this country of $9,000,000,000 at once.

When the minimum arises to 75 cents an hour as provided in the bill, within 2 years, the further cost of wage rises would be $5,600,000,000.

That means the total annual load which this bill proposes to put on the pay rolls of this country is of the order of $14,600,000,000.

Now who is going to pay this $14,600,000,000 of increased wages?

The answer of the supporters of the bill is that the productivity of labor has increased so much that the increase in goods per worker will balance the increase in his pay.

That isn't so.

In a great section of American economy, the services and trades, which I understand furnish more than half of the total employment, the opportunities for greater efficiency are slight. Higher wages mean higher costs and higher prices.

In manufacturing, the average output per man-hour has increased approximately 3.5 percent per year during the past 20 years. But, it should be noted that this is an average. Averages do not tell the whole story; for instance, the average productivity increase since 1939 has been 15 percent, but in cement there has been a decrease in producticity of 15.5 percent, and in flour and grain mills 16 percent. This illustrates that there can be no averages on productivity increases which have general application. The problem should be considered from an individual company standpoint or at most from an industry standpoint.

But even if averages should be regarded as controlling, since 1939 unit costs of labor have increased about 40 percent, while productivity has increased 15 percent according to BLS data. This means that wages now are years ahead of the growth in output per man. The real problem is to get productivity to catch up with the increase in unit labor costs.

The wages to be added to the national pay rolls by this bill would remain, in whole or in part, an additional charge on operations. They must either be taken out of net earnings or passed along to the public.

Those who can take the added wages out of net earnings and still survive, will obviously be under pressure to use less labor, either by mechanizing the job or by doing away with it. In either way, the legislated rise in wages is a contribution to unemployment.

It is my judgment, however, that the bulk of private enterprise will soon be operating on such competitive profit margins in this country that it cannot absorb an additional annual pay-roll load of $14,600,000,000. Most of that additional wage load must be added to prices.

Now it is evident that higher prices sell less goods. And that means less employment.

For the consuming public as a whole, higher prices would be the signal for inflation. They mean the OPA would continue on the scene to stop the rise but retreating with ceiling prices and rationing, unable to stop the rise but retreating slowly before the necessity of keeping the economy going by permitting some semblance of profit.

The rise in prices would tend to cancel the benefit of the bill even to such workers as are included in the proposed rise in wages.

I hope I have made plain the reasons why I think the proposed jump from the present hourly minimum of 40 cents to 65 cents at once and 75 cents within 2 years, is too violent a break with orderly progress. The economy could sustain it only by a violent upheaval which would almost automatically defeat it.

I should like to remind you that the Congress, in passing the act which it is now proposed to amend, set a 25-cent hourly minimum in 1938 and allowed 7 years, up to the present, for the economy to digest a mandatory rise of 15 cents additional. And during that time, bear in mind, the wage scale was helped upward by a war.

Now it is proposed to jump 25 cents at once and 10 cents additional within 2 years, without a war to push wages up, and with all the confusion and uncertainty of economic reconversion under such circumstances.

INDUSTRY WAGE FIXING

The second major wage proposal of the bill has nothing to do with substandard conditions or their relief. It proposes to fix a wage structure of minimum hourly rates for all jobs above the unskilled level, according to the skill and experience required.

The bill will require its governmental Administrator to order and maintain "reasonable wage differentials" between skilled job levels when unskilled labor at the base of the structure is legislated into its immediate minimum hourly rate of 65 cents. Next year, the structure will have to be recalculated "reasonably" higher, when the unskilled minimum goes to 70 cents. And the following year, recalculation will set in again when the unskilled worker reaches his mandatory 75 cents an hour.

Recognizing the complications of the task, the bill permits different rates to be set for the same job classification in different subdivisions of the same industry, and in different localities according to competitive conditions and the variations in going wages for that sort of job.

Practically, any sort of job is impossible to define for use in such wage fixing. The same job titles have a different job content in each plant. A tight definition of any job won't fit anywhere. A loose definition will be no guide, but would only promote disputes as to who should be paid how much. The only way out would be to reorganize the job contents of the entire enterprise system to fit the wage definitions which the governmental Administrator is directed to promulgate under this bill.

In connection with such mandatory fixing of a wage structure, I should like to underscore the relevant parts of the testimony which your committee heard only last week from L. Metcalfe Walling. He has been seasoned in this struggle from the Government side, as Administrator of the existing Fair Labor Standards Act which you are now proposing to amend in this fashion.

Mr. Walling said the present proposal to have the Government fix higher wage brackets as well as the minimum wage would be (I quote him) "extremely costly and difficult to administer."

During the gradual mandatory rise of the minimum under the present act from 25 cents in 1938 to 40 cents at present, I trust you will note that Mr. Walling said there were corresponding substantial increases granted in the higher brackets without governmental intervention.

Finally, as a veteran in the battle of the definitions of jobs, he observed that if differentials were nevertheless to be attempted, they should be based (I quote him) "on the differentials commonly found in the industries prior to minimum wage action."

These differentials, you will recognize, were the result of the free interplay of incentive pay and collective bargaining.

I close my quotations from Mr. Walling, with his observation that "the establishment of wages above the minimum level goes beyond the basic purpose of minimum wage legislation and requires serious consideration."

To that I add my own question: Doesn't the Government any longer trust collective bargaining?

It seems plain on the above analysis, that this section of the so-called minimum wage bill makes it really a wage control bill.

In this connection, it is worth underscoring also that William Green, president of the American Federation of Labor, told your committee last week, that (I quote him) "detailed Government regulation of wages above the minimum constitutes an invasion by the Government of the domain of free and voluntary collective bargaining between labor and management."

In my judgment it is more than that. It involves the Government in dispensing different wage rates among organized skills, industrial groups, localities, which must always be suspected as privileges by those at lower wage levels. The cry of privilege begets a demand for compensating privilege, and further privilege, and that is already the curse of our political system. Why launch it at full amplitude into our economic system—whereby all of us earn a living?

Finallly, as the Government struggles to set up a wage structure for the higher civilian brackets which will satisfy all the job holders, the Government must also take steps to protect that structure from being made obsolete by a rise in the cost of living even before it becomes effective. We will have to contemplate not only the wage control proposed in this bill, but also a price control to continue alongside it indefinitely. With that goes our free enterprise.

To summarize, I think the proposed jump from an hourly minimum of 40 cents to 65 cents at once and 70 and 75 cents in the following years, is a reckless jolt to the economic system.

The proposal to fix wages also in the higher brackets is a departure which is rejected by your competent Government Administrator of the present act, by the AFL, and by the NAM—all acting on their practical judgment that it is unworkable.

STATUTE OF LIMITATIONS

A statute of limitations to fix the time within which employee suits under the wage-and-hour law must be brought is vitally needed. There are now pending in the House and Senate bills to amend the Judicial Code and establish a 1-year Federal statute of limitations affecting private rights of action founded upon Federal law.

After extensive hearings before a subcommittee, the House Judiciary Committee reported favorably on the bill before it on October 9, 1945.

Although I have not had an opportunity to study the hearings on H. R. 2788, I have been assured by persons who have that those hearings contain complete information (from government, labor, and industry) regarding the need for a short statute of limitations affecting employee suits under the wage-hour law. If it is not contrary to your practices, I urge you to incorporate the record of hearings on H. R. 2788 in your hearings on S. 1349. In any event, all facts presented at those hearings should be considered before you act to amend the wage-hour law to fix a statute of limitations affecting employee suits.

If it is not possible for you to incorporate in your hearings the record made before the House Judiciary Subcommittee, I would like to have the opportunity of supplying a statement outlining the position of NAM in this matter.

The National Association of Manufacturers believes that Congress should enact a short statute either as a direct amendment to the wage-and-hour law, or as an amendment to the Judicial Code which would result from congressional enactment of H. R. 2788 or S. 1013.

We are firmly convinced that, in all fairness, employers should have some reasonable certainty in determining their contingent liabilities that might be provided by a statute of limitations not exceeding 1 year.

SUGGESTED ACTION

S. 1349 contains no provision clarifying many ambiguous terms of the wage-hour law which have resulted in needless litigation and continuing uncertainty.

I sincerely recommend that you examine the many undefined terms used in the law which according to the wage-hour administrator have presented "difficulties not only to employers but to the Division itself." The meaning of those terms should be clarified.

Operating under the Fair Labor Standards Act is not simple. By far the greatest majority of employers seek to comply with the law. The meaning of the law, therefore, should be made clear by Congress and not left to an unguided administrative agency.

WALSH-HEALEY REPEAL

Earlier in my testimony, I referred to the differences in the child-labor standards of the Walsh-Healey Act and the wage-and-hour law. I then suggested that there did not appear to be any real justification for those differences and recommended that the Walsh-Healey standard be eliminated.

The other variances between the two laws appear to be equally without justification. I believe the time has come when Congress should examine with care the various provisions in conflict, and to take immediate action to eliminate those conflicts.

I ask you to consider whether the added restrictions imposed upon industry because of the Walsh-Healey Act are necessary in any material respect in the light of the coverage and applicability of the wage-hour law. I feel sure you will not; thus, I submit, the Walsh-Healey Act should be repealed immediately, and I so recommend.

EXHIBIT 14

STATEMENT OF NATIONAL COTTONSEED PRODUCTS ASSOCIATION, RE AMENDMENTS TO FAIR LABOR STANDARDS ACT, S. 1282 AND S. 1349

The National Cottonseed Products Association is a trade association representing the cottonseed crushing industry of the United States. It is composed of 371 out of the 394 cottonseed crushing mills in this country. These mills are located in all of the cotton-producing States, from North Carolina to California. They are engaged in the purchase of cottonseed and in the production and sale of cottonseed products: namely, oil, cake or meal, hulls, and linters. During recent years the value of cottonseed products produced by the mills has averaged about $290,000,000. Average annual employment is approximately 16,000 persons. The association also has as members 57 refiners of cottonseed oil, and a number of chemists, brokers, and dealers, all of whom perform important functions in the marketing of cottonseed products.

We wish to express to your committee our opposition to the proposed amendments (S. 1282 and S. 1349) to the Fair Labor Standards Act, which amendments would increase the legal minimum wage to 75 cents an hour (ultimately) and would eliminate the present exemption from overtime penalty rates afforded the agricultural processing industries by section 7 (c) of the act. We wish to state at the outset that the cottonseed crushing industry is not opposed to high wages. On the contrary, we favor the highest wage level that the economy of the industry and the environment in which it operates can sustain.

We oppose the proposed amendments for the following reasons:

1. They conflict directly with the conditions under which the cottonseed crushing industry (and other industries) is required to operate under other legislation enacted by Congress. All cottonseed products are at present under price ceilings set by the Office of Price Administration. In addition, the United States Department of Agriculture, through Commodity Credit Corporation, has established a minimum price that mills must pay for their raw material: cottonseed. In other words, the industry is operating on a gross spread, the upper and lower limits of which are already fixed by the Federal Government. This spread is not sufficient to absorb anything like the increase in costs that would result from these amendments. Enactment of this legislation would result in bankruptcy for many mills or would require substantial modification of the existing support price and price ceiling structure. We assume that your committee does not desire to increase the cost of food to the consumer or to reduce the income of the farmer.

2. Our second reason for opposing the proposed amendments is that they would eliminate section 7 (c) of the act which at present exempts most of the agricultural processing industries from penalty payments for work in excess of 40 hours per week. This proposal fails completely to recognize some of the fundamental features of agriculture and of the agricultural processing industries. Farm commodities are neither produced nor marketed on a 40-hour week. The farmer's schedule of production and marketing is determined by the weather. When crops are mature, they must be harvested and marketed with the greatest possible speed. Delay means serious losses from weather damage. The farmer does not pick cotton or combine grain on a 40-hour basis. He usually works from sunup to sundown and frequently into the night. The processing industries must operate on a comparable schedule or commodities will back up on the farm with consequent losses.

On cotton, 80 to 85 percent of the crop is ginned between September 1 and December 1. About 70 percent of the cottonseed crop moves to the crushing mills during the same 3 months. This means roughly 3,000,000 tons or 187,000,000 bushels. In order to keep this tremendous volume moving, most mills must operate 24 hours a day and 6 or 7 days a week.

Theoretically, it is a simple matter to operate such plants within the framework of the proposed amendments by the employment of three or four shifts per week. In practice, this is not possible. Sixty percent of the cottonseed crushing mills are located in communities of less than 10,000 population. In these towns there does not exist any such floating labor supply as would be required to operate these plants on a 40-hour week. From a social standpoint, it would be highly undesirable to attempt to create such a supply to serve a highly seasonal industry, since off-season employment is not available in sufficient volume in these small communities. If, on the other hand, the cottonseed crushing mills were forced to pay time and one-half the regular rate for all hours worked in excess of 40 per week, it would involve an increase of about 25 percent in labor costs, even if no changes were made in the basic minimum rate. If the proposed increase in the minimum wage to 75 cents an hour were also made effective, the net result would be an increase of approximately 70 percent in the labor cost of crushing cottonseed.

3. Our third objection to the proposed amendments is that they would reduce farm income in order to increase the income of wage earners. Any sudden and arbitrary increase in processing costs, such as is involved in this legislation, can be met from only three sources: (1) Out of the earnings of the industry, (2) in the form of higher prices of products, and (3) in the form of lower prices for raw materials. In the case of cottonseed crushing, the increase involved in these amendments would exceed the earnings of the industry in even its most prosperous years. The major proportion of the increase, if not all of it, would therefore have to come from the consumer in the form of higher prices fr cottonseed products or from the cotton producer in the form of lower prices for cottonseed.

So long as price ceilings are effective, it is obvious that increased processing costs cannot be paid for by higher product prices. Because of the nature of the cottonseed industry, it is doubtful that this could be done even after price ceilings are removed. Cottonseed products are standardized commodities. The supply and price of those products are not subject to control by the processor, as are the supply and price of differentiated commodities, particularly consumers' durable goods. The manufacturer of a motor car or a refrigerator, for example, may, within limits, increase or decrease the supply of his product. He may introduce new models and add or remove accessories. As a result, he can within limits adjust the price of his products in line with changes in costs. The cottonseed crushing mill enjoys no such flexibility. Its products must be sold in the most competitive of markets and prices are determined to a considerable degree by the world price level of competing commodities. Consequently, the bulk of the cost increase involved in these amendments would be reflected in lower prices for cottonseed. The American farmer is already at a disadvantage, relative to industrial labor, in terms of income. We oppose legislation that would take away a part of his income for the benefit of industrial labor.

4. We oppose this legislation further on the ground that it would tend to eliminate the small, country mill. As stated previously, 60 percent of the cottonseed crushing mills are located in communities of less than 10,000 population and these communities do not have a sufficient supply of floating labor for the mills to operate on four shifts per week. Such mills could not pay the penalty rate for overtime and compete with mills located in the larger cities where labor is normally sufficient to permit the employment of several crews per week. The proposed amendments attempt to impose uniform standards on wholly different situations. If enacted, we are convinced that they would force many of the small country mills out of business, with serious losses to the communities in which these mills are located.

5. The amendments provide that an employer shall be liable for so-called unpaid wages and damages for a period of 5 years from the time such wages were due. If the employer's obligations were clearly and understandably written into the law, there would be little objection to this type of provision. However, under the present act and the proposed amendments, the meaning of much of the law is left to the definition and interpretation of the Administrator. During the past several years, we have had considerable experience with such interpretations and we find that the Administrator changes his mind. Our members have acted in good faith on certain administrative interpretations only to have those interpretations changed and to find that they had been "violating" the law for several years according to the new interpretations. This situation can easily bankrupt the small firm and the higher the minimum wage, the greater is the danger.

Based upon the above objections, we make the following recommendations:

1. That the overtime exemption presently afforded the agricultural processing industries by section 7 (c) of the act be retained.

2. That the present minimum wage rate provided in section 6 of the act be unchanged. We are convinced that industrial wage rates will advance steadily during the next few years as a result of increasing productivity and volume production. We are equally convinced that the establishment of the minimum rates proposed in these amendments will result in a reduction of employment and in the elimination of many small firms.

3. That the period during which the employer shall be liable to suit for claimed failure to pay wages called for in the act shall not exceed 2 years.

EXHIBIT 15

STATEMENT OF STANLEY I. POSNER, GENERAL COUNSEL, LINEN SUPPLY ASSOCIATION OF AMERICA, NATIONAL INDUSTRIAL LAUNDERERS AND CLEANERS ASSOCIATION, AND NATIONAL INSTITUTE OF DIAPER SERVICES

Mr. Chairman, my name is Stanley I. Posner. I am general counsel for and appear on behalf of the Linen Supply Association of America, National Industrial Launderers Association, and the National Institute of Diaper Services. These three national trade associations are engaged in the business of supplying and laundering clean work clothes, restaurant, hotel, and barber shop linens, and diapers to hospitals and individual families. These activities are all recognized branches of the power laundry industry. A large number of the members of these three associations are members of the American Institute of Laundering. That organization encompasses all phases of the laundry industry—hand laundries, power laundries, including linen supply, industrial laundries, and diaper services.

My statement is presented in connection with S. 1349 which proposes increased minimum wage and other amendments to the Fair Labor Standards Act of 1938. Section 7 of this bill proposes an amendment to section 13 of the act. Our members request that this committee clarify a portion of section 13 which will guarantee execution of the congressional intent despite present efforts to defeat a necessary exemption created in the original act.

The Fair Labor Standards Act of 1938 contains an exemption in section 13 (a) (2) for "retail or service establishments the greater part of whose selling or servicing is in intrastate commerce". This exemption was consistent with the intention of Congress to leave local business to the regulation of the States. The report of the Senate Committee on Education and Labor stated:

"The bill carefully excludes from its scope business in the several States that is of a purely local nature. * * * It leaves to State and local communities their own responsibilities concerning those local service and other business trades that do not substantially influence the stream of interstate commerce. For example, the policy in this regard is such that it is not even intended to include in its scope those purely local and small business establishments that happen to be near State lines and solely on account of such locations, actually serve a wholly local community within two States" (p. 5, S. Rept. No. 884).

When the bill was debated in the House, Congresswoman Norton was asked by Congressman Dempsey, "May I ask whether by the wildest stretch of imagination, or regardless of any possible administrative interpretations, this bill can in any way affect such business as that of the local groceryman, druggist, clothing store, meat dealer—any merchant, in fact—laundry, hospital, hotel, or even transportation companies operating solely within a State?" Mrs. Norton replied: "Absolutely not" (Cong. Rec. vol. 83, p. 7299, 75th Cong., 3d sess.).

All branches of the laundry industry have been recognized as "service establishments." I submit an excerpt from the 1939 Census of Service Establishments, classifying the laundry industry and including wholesale plants. Accordingly, laundry operators throughout the country were satisfied that they would continue to be regulated by various State minimum wage-hour laws adapted to conditions prevailing in local areas. Service establishments have always been recognized as a special category in labor legislation because of the high ratio of labor cost to total operating costs. (1939 Census of Service Establishments showed that more than 5 percent of total receipts were paid out as wages. This contrasts with the situation in manufacturing industries, where in 1939 less than 16 percent of total receipts were paid out to labor.)

For more than a year the Wage-Hour Division recognized the congressional intent to exempt all laundries. In 1940, however, the Wage-Hour Division announced that service establishments were exempt only if they were "retail service establishments." Thereupon, the Wage-Hour Division began enforcement proceedings against laundries and linen supply companies which rendered services to hotels, barber shops, restaurants, or other types of commercial customers. This interpretation (incorporated in Wage-Hour Interpretative Bulletin No. 6) encouraged a number of workers to bring suits against laundries. With only one exception the courts have agreed that the statutory exemption for service establishments includes all laundries whether or not they do work for hotels, restaurants, or other commercial customers.

The Administrator of the Wage-Hour Division has admitted that the interpretation in Bulletin No. 6 is contrary to the intention of Congress. About the middle of 1942 there was an exchange of correspondence between Metcalfe Walling, Administrator for the Wage-Hour Division, and Congressman Hartley of New Jersey, who was a member of the House Labor Committee and conference committee which handled the original Fair Labor Standards Act. Mr. Walling unequivocally stated in a letter dated July 2, and again on February 22, 1943, that he was "very much inclined to the view that all laundries regardless of whether they do so-called commercial work or not were intended by the Congress to be exempt." Mr. Walling explained that the ruling incorporated in Interpretative Bulletin No. 6 had been issued by his predecessor, General Fleming, and that he felt he could make no change until the conclusion of a court case (*Lonas v. National Linen Service*) which was then pending on the very question.

Shortly thereafter the United States Court of Appeals for the Sixth Circuit unanimously held that all laundries, regardless of whether they do commercial work or not, are service establishments and exempt. The court by unanimous decision on June 22, 1943, held as follows:

"Section 13 (a) (2) exempts from the minimum wage and overtime compensation provisions of the act contained in paragraphs 6 and 7, the following: 'Any employee engaged in any retail or service establishment the greater part of whose selling or servicing is in intrastate commerce.'

"The Administrator, basing his argument upon Interpretative Bulletin No. 6 issued December, 1938, and revised June 1941 by the Wage and Hour Division of the United States Department of Labor, contends that the exemptions in paragraph 13 (a) (2) are limited to establishments retail in character whether they sell goods or services. This view is based upon what he conceives to be the implications to be drawn from the legislative history of the act and the grammatical construction of the exemption section. Since the related terms are coupled in the same sentence and are used in the disjunctive with the terms 'retail' and 'service' both modifying the word 'establishment,' they refer to employers who deal directly with private consumers as distinguished from commercial and industrial customers. In other words, the service establishment exemption extends only to those establishments having the characteristic of retail stores, and the defendant's business is not a retail service establishment because 60 percent of its customers are industrial or business concerns.

"We find no support for this interpretation in the language of the exemption section. Two enterprises are therein exempted, one a retail establishment and the other a service establishment, the exemption of each subject to the condition that in the case of the retail establishment the greater part of its selling must be in intrastate commerce, and in the case of a service establishment, the greater part of its servicing must be in intrastate commerce. Had the Congress intended to limit the exemption of service establishments to those which perform services for private individuals as distinguished from business enterprises, it would have had little difficulty in clearly expressing such purpose.

"Linen supply companies and laundries have long been regarded and classified as local service enterprises by Federal departments and agencies, as well as by trade associations and the public. The 1939 census included linen supply services in its classification of service establishments without differentiation in respect to the character of customers. To read into the exemption clause phrasing that would limit it to services performed for private individuals in their homes, would merit the condemnation expressed in the principal case relied upon by the Administrator. *Kirschbaum* v. *Walling* (316 U. S. 517). There, on page 522, it is said: 'when the Federal Government takes over such local radiations in the vast network of our national economic enterprise and thereby radically readjusts the balance of State and National authority, those charged with the duty of legislating are reasonably explicit and do not entrust its attainment to that retrospective expansion of meaning which properly deserves the stigma of judicial legislation.'

"The exemption section being without ambiguity, we find no occasion to resort to extrinsic aids to construction, though it may be said in passing that even though we were to consider the legislative history of the section as reviewed by each of the litigants, it would be far from clear that the Congress intended anything other than what it clearly expressed. Nor do we think that the court was premature in dismissing the action without receiving proofs in support of the complaint. The allegations originally were silent as to the interstate extent of the defendant's servicing, and alleged that but 25 percent thereof was rendered to industrial and commercial customers as distinguished from private families or individuals. An amendment several months later charged that 20 percent of the appellee's servicing was to customers in the State of Kentucky and the State of Virginia, and 60 percent to industrial and business concerns. It must be assumed that proofs would not expand the allegations of the amended complaint and further amendment was not requested even in the face of the motion to dismiss

"The decree is affirmed."

The Supreme Court of the United States denied certiorari.

After this decision, Mr. Walling instructed his field offices to take no further steps to enforce the interpretations, but he did not change the official interpretation itself. Thus, workers in laundries and linen supply companies throughout the United States are still encouraged by the Wage-Hour Division to believe that in some cases laundries are not exempt. This has resulted in numerous other suits in various State courts and Federal courts throughout the country and has caused great expense and embarrassment to many employers. The question is currently being tried in several courts.

Apparently, the only way to resolve this question is for Congress to indicate clearly that it intended to exempt all laundries whether or not they serve hotels, restaurants, etc. The Wage-Hour Division bases its interpretation on the hair-splitting argument that the phrase, "retail or service establishment" which appears in section 13 (a) (2) means "retail or retail service establishment." Accordingly, it is suggested that the clause be amended to avoid this absurd interpretation. In its present form section 13 (a) (2) exempts "any employee engaged in any retail or service establishment. * * *" It is suggested that this be amended to read "any employee engaged in any retail establishment or service establishment. * * *"

When the act was passed in 1938 Congress was well aware of the fact that "service establishments" required an exemption from the wage-hour law. Senator Aiken of this committee several weeks ago stated publicly that the minimum wage must be revised upward. He cautions, however, that increases must not be so rapid as to disrupt industry and there must be fair safeguards for exemptions.

The history of administrative agencies discloses numerous instances of expansion of activities beyond the scope originally contemplated by the legislation which created the agency. This, however, appears to be the first case where an agency publicly recognizes congressional intent and yet distributes its official bulletins inviting employee suits based on an interpretation in direct conflict with the intent of Congress.

We ask this committee to make the change which I have suggested here and bring this intolerable situation to an end.

I appreciate the opportunity which this committee has given me to present the views of the associations which I represent.

TABLE 1A.—*Establishments, receipts, personnel, and pay roll by size based on volume of receipts, by kinds of business*

[Census of Business: 1939—service establishments—analysis by size based on volume of receipts, 1939]

Kind of business	Total all establishments					Establishments with annual receipts of—									
						$3,000 or more					Less than $3,000				
	Number of establishments	Receipts (add 000)	Active proprietors of unincorporated business	Number of employees (average for year)	Total pay roll (add 000)	Number of establishments	Receipts (add 000)	Active proprietors of unincorporated businesses	Number of employees (average for year)	Total pay roll (add 000)	Number of establishments	Receipts (add 000)	Active proprietors of unincorporated businesses	Number of employees (average for year)	Total pay roll (add 000)
All kinds of business, total	646,028	$3,420,417	652,491	1,102,047	$1,069,887	208,771	$2,286,835	209,908	981,384	$1,012,981	437,257	$554,582	442,583	120,663	$56,906
Personal services:															
Barber shops	117,998	230,983	124,596	68,786	55,557	20,682	101,129	24,235	40,911	39,449	97,316	129,854	100,561	27,875	16,108
Barber and beauty shops	4,199	18,618	4,821	9,289	7,321	2,389	15,410	2,762	7,982	6,651	1,810	3,208	2,059	1,307	670
Baths and masseurs' establishments (Turkish, etc.)	1,600	5,979	1,557	2,106	1,648	464	4,502	411	1,817	1,502	1,136	1,477	1,146	289	146
Beauty parlors	83,071	231,670	85,419	99,296	74,496	22,239	155,888	22,998	72,778	61,266	60,832	75,782	62,421	26,518	13,230
Cleaning, dyeing, pressing, alteration, and repair shops	52,516	140,578	52,398	29,662	21,478	15,034	89,434	15,091	23,163	18,494	37,482	51,144	37,307	6,499	2,984
Cleaning and dyeing plants	11,604	182,698	11,845	82,810	80,014	9,112	178,486	9,299	81,324	79,337	2,492	4,212	2,546	1,486	677
Cleaning and renovating hats	1,288	4,374	1,366	1,531	1,015	458	3,265	535	1,175	916	830	1,109	831	356	99
Costume and dress-suit rental agencies	417	4,070	387	1,003	1,321	229	3,816	205	955	1,295	188	254	182	48	26
Funeral directors, embalmers, and crematories	18,196	261,617	18,239	32,843	40,676	14,814	255,873	14,886	31,492	40,241	3,382	5,744	3,353	1,351	435
Fur repair and storage shops	2,180	12,676	2,166	2,270	2,294	1,165	11,260	1,145	2,098	2,190	1,015	1,416	1,021	172	104
Laundries, hand	15,245	45,783	17,498	11,667	7,515	4,565	29,957	5,891	8,760	6,455	10,680	15,826	11,607	2,907	1,060
Laundries, power, total	6,773	453,579	5,174	249,008	233,606	6,262	452,735	4,657	248,403	233,409	511	844	517	605	197

Doing linen supply service only	352	37,141	198	13,342	14,970	331	37,102	179	13,271	14,931	21	39	19	71	39
Doing 50 percent or more linen supply service	92	16,691	61	6,401	7,904	89	16,684	57	6,398	7,904	3	7	4	3	(1)
Doing less than 50 percent linen supply service	855	92,983	538	52,127	48,944	828	92,937	511	52,088	48,932	27	46	27	39	12
Doing no linen supply service	5,474	306,764	4,377	177,138	161,788	5,014	306,012	3,910	176,646	161,642	460	752	467	492	146
Linen supply service without laundry facilities	718	28,391	346	5,287	7,941	674	28,318	306	5,270	7,932	44	73	40	17	9
Photographic studies	10,957	64,185	10,417	14,579	15,690	5,149	56,403	4,637	13,640	15,255	5,808	7,782	5,780	939	435
Rug cleaning establishments	1,012	10,618	949	3,429	3,968	701	10,112	629	3,316	3,912	311	506	320	113	56
Shoe-repair shops	50,115	106,737	49,695	18,194	13,349	9,277	55,657	9,270	14,612	11,672	40,838	51,080	40,425	3,582	1,677
Shoe-shine parlors	7,968	8,210	8,064	2,896	1,133	506	2,815	591	1,387	674	7,462	5,395	7,473	1,509	459
Travel bureaus (including ticket agents and brokers)	741	9,173	624	1,656	2,753	416	8,734	313	1,526	2,665	325	439	311	130	88
Other personal services	3,061	8,972	2,942	2,525	2,184	662	6,545	556	1,916	1,950	2,399	2,427	2,386	609	234

EXHIBIT 16

STATEMENT OF JACK GARRETT SCOTT, GENERAL COUNSEL THE NATIONAL ASSOCIATION OF MOTOR BUS OPERATORS BEFORE A SUBCOMMITTEE OF THE SENATE COMMITTEE ON EDUCATION AND LABOR RELATIVE TO S. 1349, TO AMEND THE FAIR LABOR STANDARD'S ACT

"My name is Jack Garrett Scott. I am general counsel of the National Association of Motor Bus Operators which is the only national trade association of the intercity motor bus industry. Including members of affiliated State associations, it represents approximately 650 common carriers of passengers by motor vehicle, all of whom are subject to regulation by Federal or State agencies, or both. The industry is predominantly one of small enterprises. Of the approximately 1,500 motor carriers of passengers subject to the provisions of the Interstate Commerce Act, only 220 had gross revenues of $100,000 or more in 1944, and only 145 in 1940, the last normal year for the bus business. The present number of class I carriers will undoubtedly shrink, now that the war is over, to or below the figure of 1940.

Our industry is opposed to the enactment of S. 1349 as it is now written. Our objections fall mainly into four categories, and my discussion will be so divided. These points have to do with the following: (1) The proposed progressive increase in minimum wage rates to 65, 70, and 75 cents per hour; (2) the proposal to remove the exemption from the provisions of section 7 from those employees of common carriers by motor vehicle subject to the jurisdiction of the Interstate Commerce Commission as to whom that Commission has not prescribed qualifications and maximum hours of service; (3) the proposal to establish job rates above the minimum for the purpose of maintaining wage differentials on the basis of variations in skills and the like; and (4) the establishment of a 5-year period of limitations for the institution of employee actions for unpaid minimum wages or overtime compensation and liquidated damages.

Preliminarily, the following additional facts concerning the industry may be of interest. It employs approximately 70,000 workers who are engaged in the task of providing intercity transportation of passengers by motorbus to and from practically every city, town, hamlet, and other community in America.

Unlike the local transit industry, which is totally exempt from the provisions of the Fair Labor Standards Act, the bus industry is subject to the minimum-wage requirements of the Fair Labor Standards Act. Much of the testimony presented to this Committee has dealt with the probable effects of the proposed revisions in that act, as set forth in S. 1349, upon manufacturing industries. Because of the nature of its operations, the intercity bus industry occupies a somewhat unique position—one that differs markedly from the typical manufacturing operation.

One of the principal differences is that we are subject to the strictest and most comprehensive kind of governmental regulation. The price which we may charge for our service is under the exclusive control of the Interstate Commerce Commission and the several State utility or public service commissions. No increases in revenues, therefore, are possible without the approval of those bodies. But more important even than the matter of regulation, is the fact that our fares are subject to an economic price ceiling growing out of competition, above which we could not go if we would even if the regulatory agencies should give their approval.

In 1941, for example, the last normal year before wartime restrictions on gas, tires, and automobile manufacture, approximately 86 percent of all intercity passenger travel was by privately owned and operated passenger cars. The balance was divided up between the railroads and the buses, with a small fraction of 1 percent going by air. With the elimination of wartime restrictions on private passenger travel, intercity travel by passenger car will undoubtedly jump back to or beyond its prewar levels. In addition to this, the motor bus industry will undoubtedly face greatly intensified competition from railroads and airlines.

As a consequence it is impossible for use to raise our fares in order to obtain revenues necessary to meet added costs or for any other reason, if we expect to continue to attract traffic and to remain in business. We are faced with greatly decreased revenues without any doubt. Our present average operating costs per bus mile are greater in most instances than our total revenues per bus mile before the war. Even if there are no increases in labor costs, by reason of this bill or others of similar import or of labor's demands, we will be hard put to it to continue performance of this highly important transportation service and to provide employment for the industry's 70,000 workers.

INCREASES IN MINIMUM HOURLY RATES

The Committee has heard testimony by the Secretary of Labor and the Acting Commissioner of Labor Statistics which points out that, as of the summer of 1945, approximately 20 percent of the 12.2 million factory workers received less than 65 cents per hour. It is estimated further that application of this minimum would increase average wage rates in manufacturing industries by 2 percent.

The intercity bus industry is, of course, subject to the minimum wage provisions of the Fair Labor Standards Act and, while extensive data are not available, preliminary estimates suggest that the proportion of its workers receiving less than 65 cents per hour is roughly the same as that for manufacturing, i. e., about a fifth. It is probable that, so far as the intercity bus industry is concerned, the estimate of a 2-percent increase in average wage rates if the 65-cent minimum were established is an understatement. Irrespective of the accuracy of this estimate, it constitutes, at least by implication, a conclusion that is grossly misleading.

A 2-percent average increase in wage rates would constitute a serious burden to comparatively few industries. But it is clearly impossible to raise the wage rate for janitors or men who wash buses from 55 to 65 cents per hour without making corresponding readjustments in the wage rates of mechanics and other types of workers. In order to maintain a reasonable balance between compensation and job requirements, it would be necessary to raise the rates of at least twice the number of workers directly affected by the new minimum. The actual proportion of workers who would receive raises as a result is therefore not less than 40 percent of the total and such data as are available indicate that it would be considerably higher. The end result would be an average increase in wage rates for the industry as a whole, far above the 2-percent figure based only on app'ication of the proposed minimum.

Another important difference is found in the relative importance of labor costs. A total labor cost which amounts to as much as 25 percent of the total value added by a manufacturing industry is regarded as comparatively high. In many industries labor costs are well under 20 percent of total product value. In the intercity bus industry, however, labor costs are estimated at more than 35 percent of total costs and almost 30 percent of gross revenues. Thus the effect of increasing wages by equal amounts would constitute a far heavier burden on this industry than would be the case typically in manufacturing. Further, labor costs in the intercity bus industry have risen by more than 40 percent during the last 4 years. The industry has been able to absorb these increases as a result of higher revenues resulting from the war emergency. As I have stated, with the end of hostilities, the increased use of private automobiles, and competition from other forms of public transportation, have resulted in a decline in revenues which is expected to continue to a point where the industry's ability to meet labor costs, even at present wage levels, is subject to serious question.

It should not be inferred from the foregoing that this industry is opposed to any possible increase in the level of workers' earnings and in standards of living. This is not the case. The achievement of such a goal, however, depends upon the extent to which incomes can be raised without corresponding increases in the cost of living, and without destruction of the industry charged with the income increases. It is a demonstrable fact that the intercity bus industry cannot continue to render an adequate service essential to thousands of communities which have no other form of public transportation if labor costs increase appreciably and its revenues are limited to the predicted postwar level of bus passenger travel at existing rates.

It is possible that certain manufacturing idustries, as pointed out by the Secretary of Labor in his testimony before this committee, can raise wages without involving corresponding increases in prices. One possible method is increased productivity. For all practical purposes, this potentiality is not available to the bus industry. It is not possible to operate a bus with less than one driver. Basic service must be maintained even if the number of passengers per bus declines, and the cost of operating a half-loaded bus is not appreciably below that for a fully loaded vehicle. The cost and durability of equipment makes it impossible to substitute smaller buses for larger ones, or vice versa, at frequent intervals. In the interest of safety, and because of extensive regulation, substantial economies in repair and maintenance work are not possible. Small savings in improved efficiency and fuel consumption may be realized, but will be more than offset by reductions in revenue passengers per vehicle-mile. In short, the

trend of productivity, by comparison with the war period, will be downward in the bus industry.

Further, it is a foregone conclusion that the prices of some manufacturing commodities would be raised if S. 1349 in its present form is enacted, especially since the increases in labor costs would be considerably above the estimated 2 percent rise in average wages resulting from the 65-cent minimum alone. It is not our contention, however, that this is a dominant consideration if the price increases are not sufficient to offset the rise in earnings. It must be noted, on the other hand, that the minimum wage provisions are applicable to less than a fourth of the country's gainfully occupied individuals. The remaining three-fourths or more would presumably be affected by any price increases but would receive higher earnings only as a result of competition among employers for workers. In view of the likelihood that the supply of labor will exceed the demand for some time to come, wage increases granted through competition for workers ought not to be counted upon.

These facts have an important bearing on the intercity bus industry. A large proportion of its business is providing transportation to those who cannot afford automobiles or other more expensive modes of travel. Even if the industry were permitted by regulatory bodies to raise its tariffs to cover increased labor costs, to do so would result in increasing the living costs of those in the lower income brackets, many of whom would not be affected by the 65-cent minimum wage rate. Included in these groups are millions of farm workers, domestics, and employees in laundries, hotels, tailor shops and similar other industries many of whom are among the lowest paid and who are exempt from the provisions of the Fair Labor Standards Act. As already noted, this industry favors increases in earnings and standards of living but only when they are made available to a majority of the Nation's workers and not if they apply to a minority at the expense of another important segment of the population.

MODIFICATION OF EXISTING EXEMPTION PROVISIONS

The Fair Labor Standards Act, as it was enacted in 1938, contained a provision exempting from section 7 those employees "with respect to whom the Interstate Commerce Commission has power to establish qualifications and maximum hours of service pursuant to the provisions of section 204 of the Motor Carrier Act, 1935." Section 204 vested in the Commission power to "establish reasonable requirements with respect to * * * qualifications and maximum hours of service of employees." There was nothing said or intimated in the statute that this provision covered less than all of the employees of motor carriers. Nevertheless, for reasons which seemed sufficient to a majority of the Commission, it was held that the provision applied only to those employees whose duties involved considerations of safety. This ruling was upheld by the Supreme Court by a 5-to-4 decision. And from that decision has flowed the gravest kind of inequities, uncertainties, unjustifiable controversy and expense, and unfairness to motor carriers. In the first place, there can be no sound reason advanced for the discrimination against motor carriers in favor of its competitors. The railroad exemption from section 7 applies to all railroad employees. It reads: "any employee of an employer subject to the provisions of part I of the Interstate Commerce Act." All employees of all local trolley or motor bus carriers are exempted from the application of both the minimum wage and overtime provisions regardless of the interstate character of their business. The latter is true also of air carrier employees. The motor carriers, who could least afford it, were singled out and made to carry a financial burden which was not imposed upon those with whom they must compete. No reasonable or satisfactory explanation has ever been given to us by anyone for this patent unfairness.

In the light of that background it would seem obviously unjust to make even weaker the already inadequate motor carrier exemption now contained in the Fair Labor Standards Act. The amendment proposed in section 7 of S. 1349 to section 13 (b) of the Fair Labor Standards Act would carry out in a statutory way what the Wage and Hour Administrator has for many years contended for, a contention which has been flatly repudiated by the Supreme Court. On the contrary, justice and equal treatment requires an amendment which would place motor carriers on an equal plane with other transportation agencies. We recommend and strongly urge that section 13 (b) be amended to read as follows:

"(b) The provisions of section 7 shall not apply with respect to (1) any employee of a common or contract carrier subject to any of the provisions of part II of the Interstate Commerce Act; (2) any employee of a private carrier subject to part II of the Interstate Commerce Act with respect to whom the Interstate Commerce Commission has power to establish qualifications and maximum hours of service pursuant to the provisions of section 204 (a) (3) of said act; and (3) any employee of an employer subject to the provisions of part I of the Interstate Commerce Act."

There are compelling reasons other than the one of unfair and uneven treatment why the provision in the pending bill removing the present exemption in part should not receive approval.

The proposed application of the overtime provisions of the act to employees of motor carriers now exempt therefrom would also result in marked increases in labor costs over and above those arising from any increase in minimum wages and the consequent realinement of rates for other occupations. In this respect, the proposal merely adds emphasis to the conclusions which we have heretofore stated. There is, however, a special circumstance to be noted in connection with this proposal.

Prior to the war, the payment of premium rates for work in excess of 40 hours per week was not common among exempt employees in the intercity bus industry. This fact was due in part to the continuous nature of operations and to certain other peculiar characteristics of the work. Particularly in the case of drivers, but also to some extent among other classes of employees, continuous work, such as that performed by factory workers, is not involved. Drivers of buses spend substantial proportions of their on-duty time making out reports, waiting for departure times, and doing other work far less difficult than driving. A very large proportion of this nondriving duty time is paid for nevertheless. While it is true that, under S. 1349, bus drivers would not be subject to the overtime provisions of the act, several alternative measures, such as H. R. 3719, for example, provide for removal of this exemption.

It is generally recognized that the operations of few companies are such that the schedules could be adjusted to provide 40 hours of work per week per driver. Drivers must be relieved at terminal points, and it is obviously impossible to provide an adequate public service and, at the same time, so arrange schedules that buses arrive at a terminal when the drivers' 40 hours are up. This problem is, of course, further complicated by the safety regulations of the Interstate Commerce Commission regarding mandatory rest periods for drivers. Because of these circumstances the wage structure for bus drivers has gradually taken on other types of premium payments as a substitute for overtime based on a standard number of hours. Thus, for example, drivers are commonly paid at the rate of time and one-half for work performed in addition to their regularly assigned runs, even when those regularly assigned runs involve fewer hours than eight. Again, many bus drivers are paid at time and one-half for extra work performed on their regularly assigned weekly day off irrespective of the number of hours worked during the preceding 6 days. Finally, it is a common practice for employers to agreed that no regularly assigned run shall pay less than 8 hours per day. Because it is often impossible to fit operating schedules to this provision, many drivers receive 8 hours' pay every day for runs that involve less than 8 hours work. It is estimated that, as a result of these various allowances, the typical bus driver's earnings are at least 15 to 20 percent more than they would be if he were paid straight-time rates for his work. The effect of applying the overtime provisions of the Fair Labor Standards Act to these employees would result in drastic pyramiding of premium payments. It would do this by adding another 8 to 12 percent in premium payments to those already in effect and now paid on the basis of procedures far better adapted to the peculiar characteristics of the industry than is the entirely unworkable device of a workweek of uniform length.

During the war, partly as a result of the tendency of the National War Labor Board to apply wage-payment procedures without sufficient regard for unique operating conditions in certain industries, there has been some trend toward the payment of premium rates to intercity bus company maintenance employees for work above 40 hours per week. The practice is by no means universal, however, and some further additions to labor costs would result from application of the overtime provisions to those maintenance workers who are currently exempt from them.

Estimates indicate that application of the act's overtime provisions throughout the industry would add a minimum of 5 to 10 percent to the wage bill, even though substantial increases in tariff rates are impossible, for reasons heretofore stated.

ESTABLISHMENT OF WAGE DIFFERENTIALS

The provisions of section 5 of S. 1349 constitute a new departure in labor legislation. In effect it would take from the hands of labor and management the right to agree upon wages above the minimum and place that vast power in the hands of a government official. The provisions of the bill concerning industry committees seem to us innocuous and actually place final power in the Administrator to fix the differentials whether in accordance with recommendations from the industry or not. Thus there would be taken from management one of its primary and most important functions, and from labor the right to bargain collectively, which has been established by statute and custom as national policy for many years. We can conceive of no greater blow to the democratic processes in industry and the system of American economy than that. We have heard of no demand for the granting of this arbitrary power to government, and know of none. We are gratified to know that the Secretary of Labor and the Wage and Hour Administrator have both disavowed the amendment and have expressed their opposition to it.

If the present minimum of 40 cents per hour is raised, it will be necessary to make certain upward adjustments in the rates for other jobs in order to maintain reasonable differentials. The determination of these differentials, however, is a problem to be solved through the process of collective bargaining between management and labor. It is recognized that the administration of the wage stabilization program necessitated the adoption of some such technique as the War Labor Board's bracket principle during the war emergency. Management and labor alike renounced much of its freedom in the patriotic duty of adhering to these principles in the interest of preventing inflation. Nor can it be denied that some benefit was derived in the consequent development of more systematic wage structures. But this was a temporary expedient just as in the case of manufacturers who willingly shared with others the benefits of technological improvements and trade secrets often developed at considerable expense. Under peacetime conditions in a democratic and competitive economy, such regimentation has no place. Operating conditions, costs, potential demands for service and revenues, available labor supplies, job requirements, and many other factors vary from area to area; and no standard wage structure pattern can possibly fit all circumstances. If the greatest benefits can be derived by the nationwide exchange of ideas, practices, and procedures with respect to wage structures within a given industry, the mechanics for making it possible will be developed by associations of employers and employees. The proper solution of such problems will thus come through the efforts of those directly concerned with the welfare of the industry working on the basis of an intimate knowledge of its peculiar characteristics.

5-YEAR STATUTE OF LIMITATIONS

I have previously spoken of the doubt and uncertainty which arose out of the conflict of jurisdiction between the Interstate Commerce Act and the Fair Labor Standards Act. That situation is and always has been a most difficult and confusing one. Immediately upon the enactment of the Fair Labor Standards Act the Wage and Hour Division took the position: (1) that the Commission's power was limited to those employees whose activities affected safety, and (2) that even as to the latter class of employees the provisions of the Fair Labor Standards Act applied until such time as the Commission had actually prescribed hours of service. In 1939 the Commission, in *Ex parte No. MC–28* (13 M. C. C. 481) determined that its jurisdiction was limited to employees whose functions involved safety considerations. That ruling was appealed to the courts, was set aside by a three-judge district court, but was upheld in May 1940 by the Supreme Court in a 5-to-4 decision. *United States* v. *American Trucking Associations, Inc.* (310 U. S. 534). The question as to whether the Fair Labor Standards Act applied to those employees whose activities did affect safety, in the absence of the establishment of hours of service for them by the Commission, was not decided by the Supreme Court until May, 1943, in *Southland Gasoline Co.* v. *Bayley* (319 U. S. 44), nearly 5 years after the Fair Labor Standards Act became effective. Before that there had been conflicting decisions on the point in separate circuit courts of appeal.

From October 1938 until the Commission's decision in March 1941, there had still been no determination as to what classes of employees, except drivers, were within the Commission's jurisdiction. Every carrier had to guess for himself at his peril. On the latter date, the Commission decided that (in addition

to drivers) mechanics, loaders, and drivers' helpers were subject to its jurisdiction. But even that did not settle the matter. We now have questions pending in the courts as to what particular kind of mechanics, for example, the Commission meant: whether those only who worked directly on motor vehicles, or all mechanics of every kind employed by them. We have instances of cases in which the courts have exercised their own judgment, independently of the Commission's decision, as to whether given employees were or were not engaged in work which affected safety.

All of these years of delay and doubt naturally gave rise to a veritable flood of litigation which still goes on. The carriers throughout the years have had to depend upon their best judgment, lacking any authoritative decisions, as to whether any given employee was or was not subject to the Fair Labor Standards Act. If his judgment were erroneous in the light of subsequent determinations, he was confronted with double penalties and attorneys' fees, and his good faith and high intentions were of no moment. If, in all good faith, he made a settlement with any of his employees as soon as he learned, or thought that he knew, of the employees' status, even though the settlement was then entirely satisfactory to the employees, he subsequently found that releases were of no efficacy and he was still liable for further outlays.

Under the circumstances, it seems only fair that there be a Federal statute of limitations applicable to employees' claims under the Fair Labor Standards Act, and that it be short enough to protect employers who in all good faith have tried in every possible way to determine their obligations and responsibilities and to live up to them.

Our people are and always have been earnest in the effort to comply with the Fair Labor Standards Act to the full extent it applied to them. If they have not complied in certain cases it has been because of lack of authoritative and definitive utterances as to the nature and extent of their liability. They have not been clairvoyant, but they have done the best they could under all of the circumstances. They should not now be continuously exposed to stale and vexatious claims, extending back as far as 5 years, when they are in most cases unable for lack of records and other evidence adequately to defend themselves.

For these reasons, we submit that a 5-year period is much too long to meet the standard of reasonableness. We urge a statute of 1 year, with a provision that actions on accrued claims be brought within 90 days after the enactment of the statute.

EXHIBIT 17

SOUTHERN PINE INDUSTRY COMMITTEE,
New Orleans 4, La., November 16, 1945.

MR. CHARLES A. MURRAY,
Clerk, Senate Committee on Education and Labor,
Senate Office Building, Washington, D. C.

DEAR MR. MURRAY: For the record of your committee which has been conducting hearings on proposed amendments to the Fair Labor Standards Act of 1938, we desire to file the attached statement showing the effects of this proposed legislation on the southern lumber industry.

The arguments set forth in this document are supplemented by several tables and charts, and if your facilities do not permit the inclusion of graphic material, we should be glad to make whatever changes that may be necessary to cover this substantiating evidence.

While these statistics and arguments are based on the southern pine industry, they reflect practically the same conditions in the southern hardwood industry. The southern hardwood producing industry joins us in this presentation.

Mr. O. O. Bright, manager of our Washington office, will be at your disposal to discuss this matter with you. The address is 1302 Eighteenth Street NW.; telephone, North 6150.

Respectfully yours,

SOUTHERN PINE INDUSTRY COMMITTEE,
H. C. BERCKES.

(Attachment:)

STATEMENT OF THE SOUTHERN PINE INDUSTRY COMMITTEE[1] RE PROPOSED AMENDMENTS TO THE FAIR LABOR STANDARDS ACT OF 1938

(Filled in behalf of the Southern Pine Industry)

This statement is presented by the Southern Pine Industry Committee, representing manufacturers whose basic product is southern pine lumber, and who are located mainly in 12 Southern States—Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. Their annual production is the largest of any species of lumber produced in the United States, ranging in the period between 1929 and 1943 from a low of 26.8 percent of the total to a high of 35.1 percent of the national lumber production. (See exhibit I, attached.)

Let us make clear that the southern pine industry is not opposed to high wages. On the contrary, we favor high wages, but only so high as to still preserve the economy of the industry and its position as one of the leading enterprises in the South. No industry can conscientiously advocate a wage scale under which it cannot survive. That is the position in which we find ourselves today.

SMALL MILL INDUSTRY

The southern pine industry is predominantly a small mill industry. Twenty-five years ago the mills were counted by the hundreds. They were large operations. Today they number between 12,000 and 17,000. Now they are small units. Less than 500 of the total number have an annual production of more than 5,000,000 board feet. The remainder, 97.4 percent by number, manufacture 67.5 percent of the total production, most of which is sold to concentration plants for drying, dressing, grading, and marketing. (See exhibit II, attached.)

The industry is, therefore, one of small mills; it is one in which manual and unskilled labor predominates. It is one whose bulk production is rough lumber, the initial product derived from converting the standing tree into unfinished sizes and items, preparatory to further refining. Compared with other species of wood and with substitute materials, it requires many more man-hours to produce southern pine than it does an equivalent of competitive materials.

These factors, mentioned only generally here as a preface—but more in detail later—seem strangely out of place in an economy which seeks greater employment—not less.

The southern pine industry is vital to the welfare of the South. The measure in which it functions is felt in every phase of southern life. It is not a dying industry as many have thought. It is an industry in transition from large units to small units, and to a great extent from operations on large tracts of timber to smaller and scattered tracts; from solely a manufacturing industry to one bound up with the farmer and his wood lots and his alternating and part-time employment.

THREAT TO EMPLOYMENT

The very nature of this changing industry calls for small units. An effort to concentrate some of this production in large units and to mechanize it so as to reduce the heavy labor costs can be of benefit to only a small part of the production. The major proportion must necessarily come from small rurally located units. High labor costs legislated upon these small units will not make them large nor force mechanization upon them. They will simply go out of

[1] The Southern Pine Industry Committee was organized at a mass meeting of lumber manufacturers, held in New Orleans on June 4, 1937, primarily for the purpose of dealing with wage-and-hour problems. Its membership, appointed and confirmed by the industry, follows: C. C. Sheppard, chairman, Louisiana Central Lumber Co., Clarks, La.; L. W. Morgan, Alabama Mill Co., Selma, Ala.; E. M. McGowin, W. T. Smith Lumber Co., Chapman, Ala.; M. L. Fleishel, Putnam Lumber Co., Shamrock, Fla.; N. S. Curtis, Deal Curtis Lumber Co., Drifton, Fla.; C. F. McKnight, McKnight Lumber Co., Kansas City, Mo.; D. V. Dierks, Dierks Lumber & Coal Co., Kansas City, Mo.; J. H. Starr, J. W. Starr & Sons Lumber Co., Atlanta, Ga.; Dr. C. C. Giddens, J. N. Bray Co., Valdosta, Ga.; W. T. Murray, Tremont Lumber Co., Rochelle, La.; B. McCullough, Manifield Hardware Lumber Co., Shreveport, La.; T. A. DeVane, DeVane-Hall Lumber Co., Fayetteville, N. C.; J. W. Foreman, Albemarle Lumber Co., Elizabeth City, N. C.; L. O. Crosby, Sr., Crosby Lumber & Manufacturing Co., Crosby, Miss.; D. L. Fair, D. L. Fair Lumber Co., Louisville, Miss.; W. F. Edens, Edens-Birch Lumber Co., Corrigan, Tex.; Arthur Temple, Southern Pine Lumber Co., Texarkana, Tex.; L. W. Brown, the Brown Lumber Co., West Union, S. C.; E. O. Lightsey, Lightsey Bros., Miley, S. C.; H. C. Parrish, Richmond Cedar Works, Norfolk, Va.; Garland Gray, Gray Lumber Co., Waverly, Va.; H. C. Berckes, secretary, New Orleans, La.

business and the product which formerly came from them will come from sources which employ fewer men to produce an equivalent volume and where the labor take-home is less per unit.

The production of 1,000 feet of lumber gives more man-hours of employment in the South than is required for the production of an equivalent amount in other regions. As an example, to produce 1,000 feet of lumber requires 11.1 man-hours in the West, 13.8 man-hours in the North, and 29.9 man-hours in the South.

The southern pine industry, together with the southern hardwood industry, both of which are increasingly intermingling, employs about a quarter of a million (250,000) men. If the work which these men now do is to be done by machinery and with a labor force half that size, then something will have to be done with the 125,000 thrown out of employment. This will be a difficult task because the southern lumber industry is located in rural areas where there are no close-at-hand other industries to take up this slack. Much of this sawmill labor is part-time agricultural labor, and mostly all from agricultural areas. Serious family dislocation and unemployment would result.

NINETY PERCENT OF WORKERS AFFECTED

The following figures, from an analysis of a 1944 survey of the Bureau of Labor Statistics, United States Department of Labor, on lumber industry wages, is further economic evidence of the wage situation that will confront southern pine manufacturers if the 65-cent minimum becomes mandatory under the wage-hour law:

South

Employee wages	In logging	In sawmills (including planing mills)
	Percent	*Percent*
Under 42½ cents per hour	15.0	22.8
42½ and under 47½ cents per hour	13.7	19.7
47½ and under 52½ cents per hour	42.8	36.0
52½ and under 65 cents per hour	17.3	11.9
Total under 65 cents per hour	88.8	90.4

Thus, a 65-cent-minimum would affect the wages—and consequently the direct labor cost in southern lumber manufacture—of 88.8 percent of the woods workers and 90.4 percent of the sawmill workers. There must be considered, too, the fact that the nature of this work causes a great deal of it to be performed in the open, subject to weather conditions. When time is lost through bad weather, it can sometimes be made up the following week—but only at the time-and-a-half penalty for working longer than 40 hours during favorable weather conditions. The premium pay results in considerably higher manufacturing costs.

Mr. A. S. Hinrichs, Acting Commissioner of Labor Statistics, presented a table in his testimony before your committee, indicating that average manufacturing wage rates would increase only 2 percent as a result of a 65 cent minimum wage, with the lumber and timber industry indexed at a 9 percent increase. Obviously, these are national figures, heavily weighted by the lumber industry in the North and West, as illustrated by the following figures from the Bureau of Labor Statistics study of 1944:

Average straight-time:	*Wages per hour*
West	$1.18
North	.73
South	.52

Since the average southern wage is the only one below 65 cents, the burden of an increase to that figure would fall largely upon the South, resulting in an increased cost substantially higher than 9 percent.

LARGE INCREASE IN LABOR COST

A 65-cent minimum would mean an increase in southern pine manufacturers' direct labor cost at straight-time earnings of $9.70, or 62.5 percent, and an increase in total manufacturing cost of $11.51, or 25.5 percent. This is reflected in detail in exhibit III, attached, which shows the effect on southern pine costs of increasing the current minimum wage of 40 cents by 5-cent intervals. Below are pertinent figures from exhibit III, comparing direct labor cost, total labor cost and total manufacturing cost at a 40-cent minimum and at a 65-cent minimum:

Item	Basis year 1944	Change from basis year 1944 at increased minimum rate
Minimum hourly wage ..... cents	40.0	65.0
Average hourly wage ..... do	52.0	84.5
Direct labor cost per thousand based on straight-time earnings	$15.52	$25.22
Increase		$9.70
Percent increase		62.5
Direct labor cost per thousand based on total earnings reported by 84 group I mills, year 1944	$18.42	$29.93
Increase		$11.51
Percent increase		62.5
Total cost per thousand based on 199 mills reporting for year 1944	$45.17	$56.68
Increase		$11.51
Percent increase		25.5

Direct labor costs in producing southern pine have already advanced $10.24 per thousand, or 125.2 percent, in the 7-year period between 1937 and 1944. (See exhibit V, attached.) Total manufacturing costs have increased $19.94 per thousand, in the same period, or 79.8 percent, 51.4 percent of this increase being accounted for by the inflation in labor cost. And, the $9.70, or 62.5 percent increase in straight-time direct labor costs outlined in the preceding tabulation and resulting from a 65-cent minimum wage, would be superimposed on the 125.2 percent advance the industry has experienced since 1937.

In the face of these conditions, the southern pine industry cannot absorb the additional labor increase of 62.5 percent that a 65-cent minimum wage would introduce, and still have any substantial portion of its operations survive. This is especially true when the OPA readily admits that 25 percent of the southern pine industry is now in the nonprofit bracket, based on industry figures compiled by OPA.

LOW MAN-HOUR PRODUCTIVITY

This wage comparison leads us into a similar comparison of regional man-hour productivity. On such a basis, the South is already paying the highest wages in the lumber industry—and wage payments must be tied in with productivity. We submit a tabulation showing man-hour production in the West, North, and South, and the effect thereof on respective wage costs, on a straight-time hourly earnings basis:

Lumber producing region	Productivity per man-hour (board feet)	Straight-time average hourly earnings	Cost per million feet of production based on straight-time average hourly earnings
West	89.7	$1.18	$13.21
North	72.7	.73	10.32
South	33.4	.52	15.52

These figures are taken from the analysis of the Bureau of Labor Statistics 1944 study of wages in the lumber industry.

Part of the wide variance in man-hour productivity between the South and the West is accounted for by the vast differences in the nature and methods of operation. The senior forest economist of the Pacific Northwest Forest Experimental Station reports that the typical Douglas-fir log will yield an average of 1,074 board feet. The average yield of the typical large mill southern pine log is only 99.1 board feet. Thus, the average fir log will yield nearly 11 times as much lumber.

Another fact attested by the Bureau of Labor Statistics in its report on February 15, 1941, is that Douglas fir grows throughout the West in stands yielding from 35,000 to 60,000 board feet per acre and sometimes much more, while in its report of June 9, 1941, supplemental to the report just mentioned, it shows that southern mills are dependent for their stumpage upon second growth which is widely scattered throughout vast areas embraced within the several Southern States. Experience shows that southern pine yields from as low as 1,000 to a maximum of 10,000 board feet per acre.

When this unbalanced and burdensome situation is further aggravated, southern pine is confronted with the loss of its markets. This business will go to competitors who use machinery to a greater extent and who employ less labor per unit in their manufacturing processes.

HIGH LABOR COSTS—SOUTHERN PINE VERSUS OTHER INDUSTRIES

This difference in direct labor costs has been steadily increasing in southern pine operations. We submit exhibit IV, showing the direct labor costs of converting southern pine as compared with 19 other industries. To illustrate further, we submit the following percentages of direct labor to total processing costs, in several important industries, existing at the present time:

	Percent		*Percent*
Chemical	19.0	Automobile	48.9
Petroleum	25.7	Textile	49.9
Machinery	36.5	Southern pine	53.0
Iron and steel	44.4		

Considering the low per man-hour productivity of the southern lumber industry and the large percentage of its labor now receiving less than 65 cents per hour it becomes increasingly apparent that a 65-cent minimum, to say nothing of 70 cents after 1 year and 75 cents after 2 years, will sharply advance production costs in southern pine mills. And, contrary to testimony by proponents of the amendments—and based on the industry's past experience—the increased wage will not be offset by the alleged greater productivity of the workers whose wages would be raised.

The following figures, taken from exhibit V, show the percentage increase in labor cost and total cost in the past 8 years, percentages of plus 125.2 percent and plus 79.8 percent, respectively, while the per man-hour yield has actually decreased:

	1937	1944	Percent increase
Labor cost, per thousand	$8.18	$18.42	125.2
Total cost, per thousand	24.99	44.93	79.8

	1936	1944	Percent decrease
Per man-hour yield, board feet	[1] 33.8	33.4	1.2

[1] Applicable to year 1936. From Mechanization in the Lumber Industry, a report of Works Progres Administration, issued March 1940.

EFFECT OF INCREASED LABOR COSTS ON MARKETS

An increase in labor cost of the 62.5 percent, or $9.70 per 1,000 feet, quoted must be met by a comparable increase in OPA ceiling prices, which now regulate the selling price of our industry's product. When ceiling prices are lifted, the

ultimate price of southern pine will be determined by market conditions. Labor is the highest element in the cost of producing southern pine. If it is greatly increased at a time like this when production costs are almost paralleling the market price, then the industry must either get a compensating increase in the market price, or cut down on other items of expense in production costs. The next major item that can be reduced is that of stumpage and purchased logs. This supply comes largely from farmers, meaning that if more of the total cost of production goes to labor, any reduction to equalize costs and hold them in line will come out of the pocket of the farmer. He will get much less for his timber.

It has already been pointed out that 89 percent of the woods workers and 90 percent of the sawmill workers would be immediately granted wage increases under a 65-cent minimum. The effect would not stop there, however. Any increase in the minimum must also be passed along to workers in the higher brackets to maintain the differentials that now exist among the various job classifications.

SMALLER OPERATORS HURT MOST

The smaller operators would be the group most adversely affected. Bureau of Census figures show that 68 percent of the annual production originates at small units, which comprise 97.4 percent of the industry in numbers—those whose output is less than 5,000,000 board feet per year. With their equipment, the vast majority are unable to go into the refining processes employed in larger operations. For the same reason, the bulk of their employment is in the unskilled groups and their costs would be more seriously affected.

When the war began, sawmill machinery and equipment manufacturers converted to the production of war materials. Consequently, an estimated 95 percent of the industry is today operating the same machines that were in use at the beginning of the war. To even restore these facilities to the efficiency that existed before the war, in the hope of surviving a 65-cent minimum wage, would require a substantial investment. With sawmill machinery manufacturers only now getting back into production, it would take considerable time before the change-over could be made and the majority would be forced out of business during the waiting period. Conceding the possibility that some could withstand an indefinite, unprofitable, waiting period, there is no incentive to take such a bold step without reasonable assurance of being able to operate profitably under the highest wages in the history of our industry and the history of our country.

EXPERIENCE UNDER PRESENT WAGE-HOUR LAW

Under the wage-hour law enacted in 1938, the hourly increases in wages were at 5-cent intervals. Industry began its experience under the Fair Labor Standards Act with a minimum wage of 25 cents in October 1938. This was increased to 30 cents in October 1939, to 35 cents in October 1940, and in the southern pine industry to 40 cents in February 1944. In July 1943 the National War Labor Board granted the lumber industry permission to raise wages up to 50 cents from the 40-cent minimum, or twice the amount of the largest hourly increase under the wage-hour law. Later, similar permission was granted to increase to 55 cents without submitting an application to the WLB, but the relaxation stopped there, because of a national policy to ward off inflation. Yet, the present increase from 40 to 65 cents is five times as great as any increase under the administration of the original bill, and one and one-half to two and one-half times as great as any advance allowed by the WLB during the war period. Consideration must be given to the operation of our industry in peacetimes and the effect such wage increase will have on industry economy.

At hearings in Washington, D. C., on August 20, 1945, respecting the west coast lumber industry, Mr. C. J. Simpson, economic counsel, National Labor Bureau, International Woodworkers of America, CIO, made the following statement in refutation of figures quoted by manufacturers' representatives to the effect that west coast lumber industry wages were considerably higher than southern pine, its principal competitor:

"Mr. SIMPSON. It also might be observed that during this war period, and to a considerable extent because of the result of action in the War Labor Board, the southern pine wage structure moved further, in a shorter period of time, toward adjustments and a narrowing of the gap with fir and pine than it ever has done before.

"Mr. VOYE. Only a percent, Mr. Simpson.

"Mr. SIMPSON. I think you will find that the relationship as to the basic scale is much closer than it was. * * * Beyond that on this matter of the South, there is the whole fact of productivity. * * * It is 100 percent greater than in the southern pine area."

As a matter of fact the per man-hour productivity, according to the Bureau of Labor Statistics figures for 1944, is not 100 percent greater than in southern pine, but 170 percent higher.

INTRASTATE VERSUS INTERSTATE SHIPPERS

In 1938, 80.5 percent of all species of lumber consumed in the 11 principal southern pine producing States was derived within those production States. Since the wage-hour law was enacted on October 24, 1938, those figures do not reflect the effect passage of the bill had upon the tendency of operations to confine their distribution within State boundaries. According to Bureau of Labor Statistics reports from which these figures are taken, approximately two-thirds of the southern pine producing units were intrastate producers and shippers, not committed to the wage-hour law, whose wage scales are generally much below the wage-hour minimum, and whose hours of operation are not restricted by any overtime wage requirements. The production of these intrastate operations is so substantial in the aggregate that it has been difficult for interstate producers to meet this competition within State lines. Consequently, a large part of the production of mills operating under the wage-hour law, formerly distributed in the home States, is forced into distant States in direct competition with other woods and substitutes.

EFFECTS ON PEACETIME PROBLEMS

These conditions are more aggravated in peacetimes, when practically the entire distribution is made to private consumers. Adjustments made in a period of war when the Government is the dominant purchaser and has the power to subsidize values, merely conceals an economic time-bomb set to explode on postwar markets, during a period when industry is highly competitive.

The possibilites of a wholesale conversion in the southern pine industry to an almost total intrastate basis is presented in exhibit VI, attached, which reflects in southern pine territory the total State production of all species, the total consumption, the total consumption derived within the State, the percentage of production sold intrastate, and the percentage of consumption derived within the State.

SOUTHERN PINE VERSUS SUBSTITUTES

The enormously increased productive capacity of substitute building materials, due both to private and governmental expansion during the war, is a serious threat to lumber in peacetime markets. Steel, aluminum, magnesium, wallboards, and synthetics, produced in large volumes at low costs, will all set a hard pace for lumber and wood products.

Steel capacity is about twice as much as has ever been needed in any year prior to 1940. The aluminum industry's capacity is reportedly six times greater than in 1939 and its cost has been reduced from 12 to 4 cents a pound. Magnesium is produced from an inexhaustible raw material—sea water—available at no cost. It is being produced in large quantities and, like aluminum, will be used largely as a lumber substitute. Plastic plywoods are an important factor in peacetime housing. In 1935 there were only five hot presses for moulding plastic plywoods in the United States. Now there are more than 250. Asbestos-cement sheathing, ¼-inch thickness, was used in Army projects at a cost of 5 to 6 cents per square foot. This is less than one-half the previous cost of this product.

With huge quantities of these substitute materials being produced at lower and lower costs, while the cost of producing lumber, and notably southern pine lumber, has risen to an unprecedented high mark, it must be evident to anyone that lumber has some very troubled times ahead of it and will be able to survive its competition only in the degree that it is able to produce at a comparable cost and sell at a comparable price. A minimum wage of 65 cents imposed upon the Southern lumber industry will further enlarge these disparities and make it more difficult for the industry to compete in peacetime markets.

EFFECTS ON EXPORTS AND IMPORTS

No economic survey of the lumber industry is complete without consideration of the part played by export trade. According to a United States Department of Commerce report, its importance "may well be gaged by the fact that it normally accounts for from 8 to 10 percent of our total domestic production, and at times has been the factor which determined the industry's profit or loss for the export regions of the Pacific coast and the South."

In the past, the ratio of softwood exports to importations by this country has been in our favor. The effect of a mandatory 65-cent minimum wage, as proposed, can throw the export-import ratio out of balance due to the fact that foreign woods, manufactured with cheap labor, could enter this country and be sold in our domestic markets on a basis under which we could not compete. Involved in this, of course, is the question of appropriate tariffs, but we contend that a higher legislated minimum wage, adding considerably to an already high manufacturing cost, would place the southern pine industry at a further disadvantage in our own domestic markets, to say nothing of its retardent effect on our normal export trade.

COST OF LIVING

Advocates of the proposed amendments have predicated the need for their passage upon the fact that the cost of living has increased appreciably during the past 4 years and an increased wage to meet such cost advances is therefore imperative. Yet, in basing their underlying and fundamental motive on such a premise, no recognition is given to a circumstance directly and inseparably united therewith: the highly important and nationally recognized factor of interregional and sectional distinctions and differentials in household costs and cost-of-living elements, which are considerably more reasonable in the southern pine producing territory than in other parts of the country.

A comparison of the cost of living of wage earners by the National Industrial Conference Board at the time Great Britain declared war in September 1939, shows an index figure of 85.4 as compared with 1923 as 100. Compared with the July 1945 figure of 106.9, there is an increase for the entire war and war preparatory period of 21.5 index points, or an increase of 25.2 percent. This compares with the wage increase figure of 73.3 percent in the southern pine industry.

If the shorter period covering the time when the United States was at war is used, we have an index figure as of December 1941, of 93.2 to compare with the latest figure of July 1945 of 106.9, or an increase of 13.7 index points, or 14.7 percent. This compares with the wage increase figure of 45.6 for southern pine industry.

OTHER DANGEROUS PROVISIONS

Another feature of the proposed amendments that is causing widespread concern in our industry is the provision calling for the establishment of "key" minima rates above the statutory minimum. This is highly objectionable because:

1. It ignores and distorts the intent of the original wage and hour law to set a flooring under wages and a ceiling over hours. The law was not intended to determine the wage of all workers subject to the act. It would place the entire wage structure of industry under the jurisdiction of industry committees and, through them, under the control of Government. Such all-inclusive wage fixing has no place in what purports to be minimum wage legislation.

2. The industry committees could not administer their duties intelligently and efficiently. The southern pine comprises some 12,000 to 15,000 units, scattered over 12 Southern States, each producing between 50,000 and 40,000,000 board-feet a year. This variation extends similarly to all manufacturing processes and operations. The task would severely tax the capacity of individuals even those with an intimate knowledge of the industry in all its phases. It could not possibly be done by individuals, regardless of their ability and capacity, without such a knowledge and experience.

3. Difficulties would not terminate with establishment of minimum rates. Machinery changes, changes in entire method of operation, will influence the character and content of particular jobs. Minima occupational wages fixed by law will make it impossible in practice to adjust rates equitably for particular jobs, resulting in a frozen wage structure unresponsive to the changing technology of the industry.

4. Any increase in the basic minimum automatically forces a proportionate readjustment in the remainder of the wage structure, which is necessary to plant efficiency and the maintenance of employee morale. Rates above the minimum can be worked out more efficiently between the employer and his employees with greater equity. Under such conditions the power contemplated for industry committees to recommend higher minima rates is unnecessary and undesirable.

STATUTE OF LIMITATIONS

Equally objectionable is the provision for a 3-year statute of limitations, which would allow an employee to institute legal proceedings for unpaid minimum wages and overtime compensation, and an additional equal amount as liquidated damages at any time within 3 years from the actual accrual of any violation.

In view of the growing complexity of regulations in the administration of the act and the importance of administrative interpretations, an employer may unwittingly violate a regulation and become liable for large sums of back pay. This will become increasingly true if the act is expanded to cover wages and workers in the higher pay classifications. If an employer places a worker in a category which may be different from a later interpretation of the Administrator, he might become liable for an amount of back pay which could easily threaten his financial solvency.

To these dangers there must be added the impending and increasing threat of travel time, with its retroactivity features, which is still in the offing in the west coast lumber industry as well as in the southern pine territory. In the absence of Federal legislation establishing a statute of limitations, State statutes of limitations should be allowed to apply.

CONCLUSION

There is a very definite question as to whether the establishment of a wage structure is properly the function of government. We are not debating that question here. We are pleading that the present situation with regard to the Fair Labor Standards Act of 1938, which is already serious in the operation of the southern pine industry, be left undisturbed.

We submit, as exhibit VII, a chart showing that since 1919 the cost of producing southern pine has been increasing at a rate more rapid than the realization derived from its sale. In the middle of 1943 the two trends (cost and realization) met, and at their terminus in 1944, cost is found tending sharply above price. Latest incomplete figures available for 1945 show this disparity to be widening further.

EXHIBIT I.—*Percentage comparison southern pine production to national lumber production, years 1929–44*

Year	Production board feet	Percentage of national lumber production, all species	Year	Production board feet	Percentage of national lumber production, all species
1929	11,629,689,000	31.5	1937	7,691,476,000	29.6
1930	7,450,238,000	28.6	1938	7,196,243,000	33.2
1931	4,429,643,000	[1] 26.8	1939	7,749,188,000	31.0
1932	3,068,898,000	30.2	1940	10,162,966,000	[2] 35.1
1933	4,445,577,000	31.8	1941	10,311,696,000	30.8
1934	4,472,503,000	28.9	1942	11,761,397,000	32.4
1935	5,960,246,000	30.5	1943	9,961,589,000	29.1
1936	7,112,616,000	29.2	1944	[3]	[3]

[1] Low.
[2] High.
[3] Not available.

Source: These figures through 1934 adapted from Lumber Production, 1869–1934, a 75-page statistical study prepared by Albert H. Pierson, under direction of R. V. Reynolds, forest examiner, U. S. Forest Service, Washington, D. C. Data for 1935 to 1943, the latest year for which official records are now available, are from U. S. Bureau of the Census.

EXHIBIT II.—*Number of mills and their total production of softwood and hardwood lumber in 11 chief southern pine-producing States, year 1942*

[Arranged in production intervals of 1,000 and less than 1,000,000 board feet; 1,000,000 and less than 5,000,000 board feet; and 5,000,000 and more board feet]

State	1,000 and less than 1,000,000 board-feet		1,000,000 and less than 5,000,000 board-feet		Total, less than 5,000,000 board-feet [1]		Total, more than 5,000,000 board-feet [2]		Grand total	
	Number of mills	Production, thousand board-feet	Number of mills	Production, thousand board-feet	Number of mills	Production, thousand board-feet	Number of mills	Production, thousand board-feet	Number of mills	Production, thousand board-feet
Alabama	1,742	536,108	645	1,144,051	2,387	1,680,159	51	429,585	2,438	2,109,744
Arkansas	1,149	223,436	212	434,831	1,361	658,267	78	914,331	1,439	1,572,598
Florida	250	75,108	141	287,252	391	362,360	20	291,240	411	653,600
Georgia	1,467	492,543	793	1,339,739	2,260	1,832,282	20	138,805	2,280	1,971,087
Louisiana	288	72,106	126	298,393	414	370,499	74	861,218	488	1,231,717
Mississippi	1,507	426,146	419	766,221	1,926	1,192,367	60	659,172	1,986	1,851,539
North Carolina	2,771	731,065	466	768,500	3,237	1,499,565	22	191,971	3,259	1,691,536
Oklahoma	143	27,613	15	83,956	158	111,569	2	(3)	160	111,569
South Carolina	929	259,816	315	527,441	1,244	787,257	25	295,964	1,269	1,083,221
Texas	342	107,336	171	354,382	513	461,718	71	921,945	584	1,383,663
Virginia	2,292	573,105	317	504,913	2,609	1,078,018	9	135,879	2,618	1,213,897
Total	12,880	3,524,382	3,620	6,509,679	16,500	10,034,061	432	4,840,110	16,932	14,874,171
Percent	76.0	23.7	21.4	43.8	97.4	67.5	2.6	32.5	100.0	100.0

[1] Classified as "small" mills.
[2] Classified as "large" mills.
[3] Combined with production of mills 1,000,000 and less than 5,000,000 board-feet to avoid disclosing operations of individual establishments.

Source: U. S. Bureau of the Census, Census of Forest Products: 1942.

EXHIBIT III.—*Effect of increased minimum hourly wage rates on southern pine costs computations based on conditions applicable to year 1944*

Item	Basis year, 1944	Change from base year 1944 at increased minimum hourly rates, 5-cent intervals						
Minimum hourly wage [1] ..... cents	40.0	45.0	50.0	55.0	60.0	65.0	70.0	75.0
Average hourly wage [2] ..... do	52.0	58.5	65.0	71.5	78.0	84.5	91.0	97.5
Direct labor cost per thousand based on straight-time earnings [3]	$15.52	$17.46	$19.40	$21.34	$23.28	$25.22	$27.16	$29.10
Increase	.....	$1.94	$3.88	$5.82	$7.76	$9.70	$11.64	$13.58
Percent increase	.....	12.5	25.0	37.5	50.0	62.5	75.0	87.5
Direct labor cost per thousand based on total earnings reported by 84 group I mills, year 1944 [4]	$18.42	$20.72	$23.03	$25.33	$27.63	$29.93	$32.24	$34.54
Increase	.....	$2.30	$4.61	$6.91	$9.21	$11.51	$13.82	$16.12
Percent increase	.....	12.5	25.0	37.5	50.0	62.5	75.0	87.5
Total cost per thousand based on 199 mills reporting for year 1944 [5]	$45.17	$47.47	$49.78	$52.08	$54.38	$56.68	$58.99	$61.29
Increase	.....	$2.30	$4.61	$6.91	$9.21	$11.51	$13.82	$16.12
Percent increase	.....	5.1	10.2	15.3	20.4	25.5	30.6	35.7

[1] Straight-time minimum rate per hour (wage-hour law).
[2] Average hourly wage resulting from application of minimum rate, based on proportions applicable to year 1944.
[3] Average labor cost per thousand board-feet, straight-time earnings, based on percentage increase in hourly rate and on production and operating conditions applicable to year 1944 (1944 average computed from reports of U. S. Bureau of Labor Statistics on Employment and Wages, and from reports of U. S. Forest Service on Production).
[4] Average Labor Cost per thousand board-feet, total direct wages paid, based on percentage increase in hourly rate and on production and operating conditions applicable to year 1944 (1944 average computed from cost reports of 84 mills giving wage details—Southern Pine War Committee study).
[5] Average total cost per thousand board-feet, resulting from increased labor cost noted in footnote 4 above. Adjusted for labor increase only (1944 total cost computed from reports of 199 mills—Southern Pine War Committee study).

EXHIBIT IV

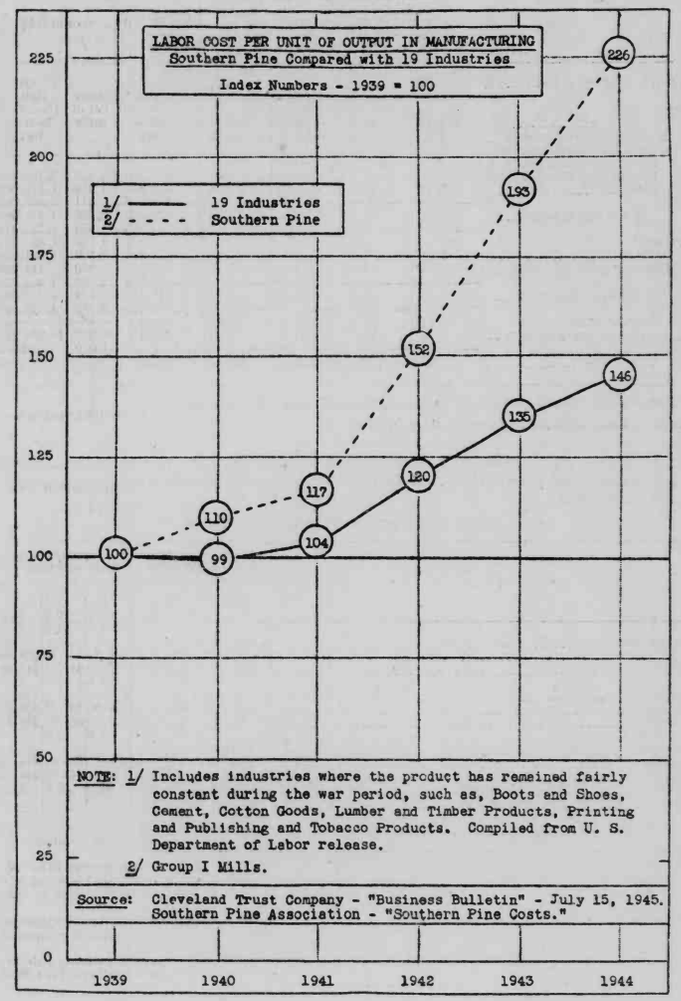

EXHIBIT V.—*Southern pine costs, years 1937 and 1944—Group I (large) mills*[1]

Item	1944			Increase 1944 over 1937 prorated to cost elements		1937	
	Per thousand feet	Percent of total cost	Percent change from 1937	Per thousand feet	Percent of total increase	Per thousand feet	Percent of total cost
Group I (number of mills)	84					69	
Direct costs:							
Labor	$18.42	41.0	+125.2	$10.24	51.0	$8.18	32.7
Materials and supplies	6.37	14.2	+111.0	3.35	16.8	3.02	12.1
Other direct costs (contract labor and expense, depreciation, other direct costs)	5.39	11.9	+48.1	1.75	8.8	3.64	14.6
Total direct cost	30.18	67.1	+103.4	15.34	77.0	14.84	59.4
Overhead:							
Selling	1.43	3.2	−9.5	−.15	−0.8	1.58	6.3
General and administrative	5.83	13.0	+71.5	2.43	12.2	3.40	13.6
Total overhead cost	7.26	16.2	+45.8	2.28	11.4	4.98	19.9
Total conversion cost	37.44	83.3	+88.9	17.62	88.4	19.82	79.3
Stumpage and purchase logs	7.49	16.7	+44.9	2.32	11.6	5.17	20.7
Total cost	44.93	100.0	+79.8	19.94	100.0	24.99	100.0

[1] Not available for group II (small) mills, and group III (concentration plants).

Source: Southern Pine Association, New Orleans, La.

EXHIBIT VI.—*Production and consumption of lumber in the Southern States and percentages of production sold intrastate and consumption derived intrastate, 1936 and 1938*

[In thousand Feet Board Measure—All Woods]

State	Total production		Total consumption	
	1936	1938	1936	1938
North Carolina	796,899	1,370,503	614,042	1,097,897
South Carolina	637,580	587,804	246,798	298,988
Virginia	566,555	511,662	509,982	525,691
Alabama	1,152,859	1,212,054	455,480	434,460
Florida	816,224	624,269	347,766	315,473
Georgia	872,476	805,017	526,066	381,767
Arkansas	1,076,613	934,846	457,138	315,132
Louisiana	1,249,798	946,258	615,180	513,460
Mississippi	1,260,730	1,189,692	438,276	484,661
Oklahoma	156,533	148,222	198,390	205,295
Texas	941,883	1,028,385	1,018,9821	1,123,407
Totals	9,528,150	9,358,712	5,514,939	5,696,231

EXHIBIT VI.—*Production and consumption of lumber in the Southern States and percentages of production sold intrastate and consumption derived intrastate, 1936 and 1938*—Continued

[In thousand Feed Board Measure—All Woods]

State	Consumption derived within State		Percent of production sold intrastate		Percent of consumption derived within the state	
	1936	1938	1936	1938	1936	1938
North Carolina	461,853	987,823	58.0	72.1	72.0	90.0
South Carolina	235,986	289,361	37.0	49.2	95.6	96.8
Virginia	389,611	353,584	68.8	69.1	68.4	67.3
Alabama	426,711	412,688	37.0	34.0	93.7	95.0
Florida	327,711	287,467	40.1	46.0	94.2	91.1
Georgia	433,120	324,686	49.6	40.3	82.3	85.0
Arkansas	386,765	261,769	35.9	28.0	84.6	83.1
Louisiana	509,069	366,101	40.7	38.7	82.8	71.3
Mississippi	385,392	455,433	30.6	38.3	87.9	94.0
Oklahoma	89,145	98,085	56.9	66.2	44.9	47.8
Texas	608,250	748,110	64.6	72.7	59.7	66.6
Totals	4,253,613	4,585,107	44.6	49.0	77.1	80.5

Source: U. S. Forest Service, Lumber Distribution and Consumption for 1936 and 1938, Forest Research Project Report No. 1, and Miscellaneous Publication No. 413, respectively.

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EXHIBIT VII

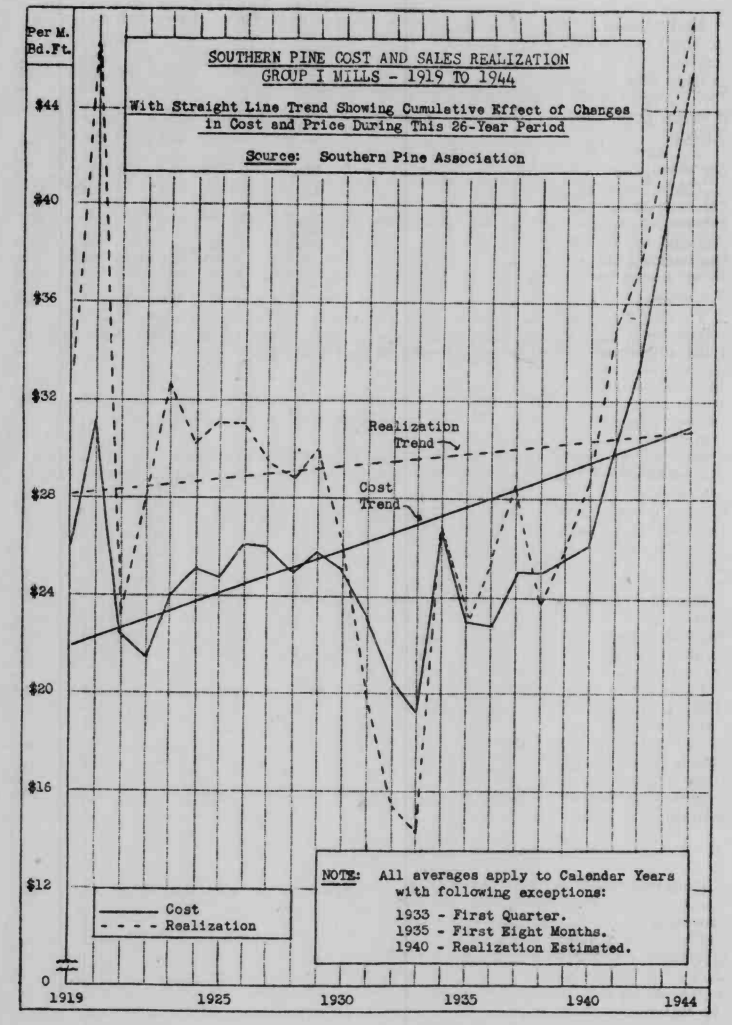

EXHIBIT 18

STATEMENT OF H. A. THOMAS, JR., MANAGER OF THE AGRICULTURAL PRODUCERS LABOR COMMITTEE, LOS ANGELES, CALIF.

I. REPRESENTATION

Agricultural Producers Labor Committee represents the producers of 98 percent of the oranges, grapefruit, and lemons grown in the States of California and Arizona; it is also associated with Avocado Growers Association, a grower cooperative association, made up of 95 percent of the producers of avocados in California, and the Western Growers Association, made up of the grower-shippers of a large percentage of the carlot shipments of vegetables from California and Arizona.

My statement will pertain primarily to the relation of the citrus growers to the exemption in the Fair Labor Standards Act.

There are approximately 28,000 citrus growers in California and Arizona and these growers cultivate, on an average, 12 acres of citrus fruit. They are directly interested in and vitally affected by the exemption in the Fair Labor Standards Act and the regulation of the Administrator defining "area of production" in that the packing houses are in most instances operated by associations of growers, and in all instances the costs of handling, washing, grading, and packing are paid by the growers.

There are in California and Arizona 275 citrus packing houses. Of these, 235 citrus packing houses, packing approximately 85 percent of the oranges and grapefruit and 94 percent of the lemons grown in California and Arizona, are nonprofit cooperative associations organized and controlled by the citrus growers. Such cooperative citrus packing houses act as the agent of the members in picking, washing, grading, and packing their citrus fruit, and as trustee of the growers in receiving and distributing the funds received from the sale of the fruit. They handle only the fruit of their members. As such cooperative packing houses act as agents for and pack the fruit for the account of the members, all packing costs are borne directly by the grower-members. Forty citrus packing houses, packing approximately 15 percent of the oranges and grapefruit and 6 percent of the lemons grown in California and Arizona, are independently owned. Such packing houses either pack exclusively the fruit which they grow, or pack fruit for growers under contract whereby the fruit is packed for the account of the grower. In the latter case the fruit is packed and sold and the packing charges plus a reasonable fixed charge are deducted from the sales price and the balance is passed on to the grower. In such a case the grower directly bears the increased cost of packing the fruit. In some instances a buyer may acquire fruit directly from the grower for cash, but in such instances the buyer deducts the packing and handling costs from the purchase price, so that any increase in packing charges is directly paid by the grower.

There are approximately 330,000 acres of land in California used in the production of oranges, grapefruit, and lemons. The annual total value of the citrus crop produced amounts to approximately $300,000,000, and there are employed in the citrus packing houses in normal times approximately 20,000 workers, consisting largely of the growers, their children, other members of their families, and their neighbors. Labor relations in these packing houses is one of being a good neighbor, rather than one of strict industrial conflict such as is sometimes found in industrial centers.

II. THE 3 (F) AGRICULTURAL EXEMPTION

Under section 3 (f) the activities of the growers in the growing, production, and harvesting of citrus fruit are exempt from the minimum wage and maximum hours provision of the act.

There are different seasons for each variety of citrus fruit. The navel season in central California begins in November and lasts through January; the navel season in southern California begins in December and lasts through May. The Valencia season in central California begins in April and lasts through June; the Valencia season in southern California begins in May and lasts through October; and navel season in Arizona and the desert is during the early winter months; lemons are harvested at different times during the year, but the peak of the harvest takes place during the winter season in most of the districts.

III. THE 7 (B) (3) EXEMPTION

Some of the houses have only one variety and operate only a few months; other houses have more than one variety and operate for longer periods; most of the houses have both varieties of oranges and some of them have lemons and grapefruit; in all cases a survey supplied to the Administrator shows that 50 percent or more of the volume handled by the individual house was received and handled during a 14-workweek period, so that their operations were seasonal, and the Administrator found the citrus industry in California to be a seasonal industry in accordance with 7 (b) (3). These establishments are entitled to that exemption.

IV. THE 7 (C) EXEMPTION

Citrus fruits are a perishable and seasonal fresh fruit, and such establishments are entitled to the 7 (c) exemption for the packing of such fruit. They do no canning or processing. Under this section they are entitled to an additional 14-workweek exemption from the maximum hours division of the act.

These establishments need the 7 (b) (3) and 7 (c) exemptions, as their operations are seasonal, affected by weather conditions, pests, maturity rates, and other factors beyond the control of the farmers. Consequently they are unable to regulate their hours of work so as to prevent abnormal costs arising from overtime where they are forced to operate the establishments more than 40 hours per week. They have endeavored at all times to maintain a level of operation satisfactory to the employee, and to avoid long or unusual hours; however, the conditions over which they have no control make such operations necessary at various times during their operating period, and they would be unduly penalized if it was necessary for them to pay overtime during such period. Their operations cannot be standardized, as can be those of an industrial establishment.

These establishments pay the highest wage for agricultural labor of any operators in the United States; consequently they would be the most heavily penalized if they were required to pay overtime during their seasonal operation.

V. THE 13 (A) (10) EXEMPTION

Citrus is produced in commercial quantities in 13 counties in California and 3 counties in Arizona, and these counties have always been recognized by the Federal Department of Agriculture and the various State departments in the areas of production. These counties are: Butte, Glenn, Fresno, Kern, Tulare, Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura, in California; and Maricopa, Yavapai, and Yuma Counties, in Arizona.

These areas may be defined geographically in California by the central California area (parts of Fresno, Kern, and Tulare Counties), Sacramento Valley (northern California—parts of Butte and Glenn Counties), desert area (Imperial County and eastern portion Riverside County), Ventura-Santa Barbara area (Ventura and Santa Barbara Counties), Whittier-Orange County area (part of Los Angeles and Orange Counties), foothill area (Los Angeles and part of San Bernardino Counties), San Fernando Valley (Los Angeles County), Redlands and Highlands (San Bernardino County), Riverside area (Riverside County), Corona district (Riverside County), San Diego area (San Diego County), and in Arizona by the Yuma-Mesa (Yuma County), and Salt River Valley (Maricopa and Yavapai Counties).

Over 60 percent of the California-Arizona citrus and vegetable packing houses are located in towns of a population more than 2,500. They happen to be so located for a variety of reasons, none of which gives them any competitive advantage over the other citrus or vegetable packing houses, or causes them to operate in any other or different manner, or puts them outside the zone of agricultural economic influences.

For example, there are located in the San Fernando Valley, in California, seven cooperative citrus packing houses. Five of these are located within the corporate limits of the city of Los Angeles. These five citrus packing houses are located within the corporate limits of the city of Los Angeles, not to obtain any economic advantage or so they can operate in a manner different from the other citrus packing houses, but because all of the groves of their members are located within the corporate limits of the city of Los Angeles and the packing houses are located there to be close to the groves of their members. For the most part, these citrus groves were planted and the citrus packing houses were constructed before the San Fernando Valley became a part of the city of Los Angeles. The fact that the city of Los Angeles has extended its corporate limits to include these groves and their adjacent packing houses does not cause them to operate in any different manner than when they were in unincorporated territory. They pay the same wage rates as do the packing establishments in Ventura and San Bernardino Counties, even though the industrial establishments in the San Fernando Valley pay much higher rates. Two of these packing houses in the San Fernando Valley are located within the town of San Fernando, but the groves of their members are located within the corporate limits of the city of Los Angeles. Not only is there a great number of citrus packing houses located within town of more than 2,500, but a great deal of citrus acreage is also located within towns of more than 2,500.

All of the citrus packing houses in California and Arizona haul the bulk of the citrus fruit which they pack less than 15 miles, but about 60 percent of such citrus packing houses haul some portion of the citrus fruit which they pack more than 20 miles.

Surveys indicate that the haulage of citrus fruit in California and Arizona from the groves to the packing houses is as follows:

	Percent
Percentage of citrus packing houses hauling all fruit less than 10 miles	34
Percentage of citrus packing houses hauling all fruit less than 25 miles	76
Percentage of citrus packing houses hauling all fruit less than 50 miles	90

(10 percent of the houses haul a small portion of their fruit more than 50 miles.)

VI. THE RELATION BETWEEN FARM HARVEST, OPERATION OF PACKING ESTABLISHMENT, AND SOURCE OF LABOR SUPPLY, DUE TO THE SEASONAL AND PERISHABLE NATURE OF THE CROPS

In the production and handling of citrus fruits the following economic factors must be considered and each of them given its proper effect.

The seasonal and perishable nature of the crops requires that they be harvested when they mature; they must then immediately be washed, graded, and packed when brought in from the farm, and the labor must be available for this seasonal handling. This labor is largely temporary seasonal work and obviously does not come from industry or manufacturing where the work is year around and gives no opportunity for lay-off for seasonal work. If this work is not done as the crops mature and if labor is not available, then the crops are lost.

The perishable nature of the commodities determines the length of the haul. Where products are handled in their raw or natural state they must be washed, graded, and packed when they are at proper maturity and while they are still fresh. This means that they cannot be hauled any great distance and this fact regulates the amount of this haul.

The nature of the labor force, as shown by their job classifications, indicates that they are not in competition with industrial or manufacturing job classifications.

Following is a table showing the nature of the job classifications, nature of the labor force, and the percentage of labor in each classification:

Classification	Percent of labor force	Sex	Local and transient
Packers	50	Women	Local.
Sorters, graders	26	do	Do.
Washers (lemons)	5	do	Do.
Lidders, box makers	5	Men	Do.
Receivers	5	do	Do.
General floor	10	do	Do.

It is clear that these classifications are not in conflict with the usual classifications in industry and manufacture. The women doing the packing, grading, sorting, trimming, and washing are largely connected with the farm families,

their relatives, and neighbors. They work in these neighborhood packing sheds for the season, and then go back to their housekeeping and other duites.

There is a minor amount of transient labor used in these packing houses, particularly men, in certain limited areas. In the Desert Valley area there is a shift of workers from the Salt River Valley, Arizona, to the Desert Valley in California. In the vegetable areas of northern California there is some shift from one area to another. But in all other districts and particularly in citrus, the great bulk of the labor force is made up of local men and women closely connected with agricultural interests.

The workers that shift from the Salt River Valley in Arizona to the Desert Valey in California, and those that shift among the various districts in northern California, are all agricultural workers. There is no shift from industry or manufacture into agriculture, but the packers from one district follow the climatic cycles and crops from one area to another in that limited way.

These packing sheds are located largely in areas surrounding agricultural communities, or in the communities themselves where it was necessary to go in order to get the proper transportation, icing, and other requirements for washing and handling. The labor comes from these agricultural communities and the surrounding farming area. This labor force is made up of agricultural workers only. Changes in labor forces in industry or manufacturing in towns where these activities dominate do not directly affect the labor supply in these packing sheds.

The labor supply is made up of the farmers, the members of their families, their neighbors, relatives, and others who have a direct interest in agriculture. Except for wars or other emergencies, this force remains relatively constant.

All these packing establishments operate on about the same basis; they pay the same level of wages in the same district, and the differential in wages as between districts has an economic historical background. The size of the plant is no factor, and a great majority of them are cooperative associations.

In these cooperative establishments the association is the agent of the farmer for washing, grading, and packing the fruit or vegetables, and the trustee for the farmer in obtaining and disbursing the funds received from the sale of the fruit. In many cases, particularly the vegetables, the growers are also the shippers. In the commercial operations the great portion of the commodities are handled on a consignment basis, so that the grower is required to pay the actual cost of handling and packing. In the few cases where the commodities are purchased from the farmer the purchaser takes into consideration the established cost of packing and deducts that from the offered price.

In whatever form the fruits and vegetables are handled the farmer pays the cost of handling. These products cannot be marketed until they are put into commercial grades and packages. This places on the farmer the burden of preparing them for market in their raw or natural state.

Increased costs for this labor cannot in most cases be absorbed in increased prices because fruits and vegetables are a perishable crop and any surplus in any market produces conditions which force down the market price. In all cases of surplus production or in oversupplied markets, the price is not affected by increased cost. In fact there is generally no relation between the market price, determined by supply and demand, and the increase of handling cost. The only together does not show that there is direct relation, but rather that the inflationary cycle, such as now exists. The fact in those cases that the two move together does not show that there is a direct relation, but rather that the inflationary ccondition is general. Ordinarily, the market price is determined by supply and demand, independent of the rise or fall of costs.

The California Farm Labor Board, an agent of the War Food Administration, has conducted an independent survey of the relation between on-farm wage rates and the packing-house rates. This investigation indicates that the rates are all related to the common labor on-farm rates. This board set a ceiling on the common on-farm labor of 75 cents and the War Food Administrator has permitted the common-labor rate in the packing shed to increase in proportion that the farm labor rate has increased above the 1941 level.

These findings and the directive of May 11, 1943, by the Economic Stabilization Director indicate the relationship between the on-farm labor rates and the packing-shed rates. It is our view that the on-farm labor rates predominate and influence the packing-shed rates more than the reverse. But whichever way the influence carries, it is clear that the relationship is limited to that between the on-farm and the packing-shed labor, and that there is a very indirect, if any, relationship between these two rate levels, and the industrial or manufacturing rate in the community.

For example, during the war period, a large number of airplane plants has been located in the San Fernando Valley. They have paid much higher rates than in corresponding agricultural sheds located in proximity to 1,000 acres of citrus in the valley. These packing sheds pay the same rates as do those packing sheds in Santa Barbara and Ventura Counties, some distance away, even though the airplane plants in the valley pay a much higher rate. The packing shed's rates are determined by the relationship to agriculture, rather than their relationship to industry.

It is a common practice in general use for labor used on the farms to be also used in the packing houses. Also, at times the common labor used in the packing house is used on the farms. This is illustrated by the Mexican nationals now being used in both the farms and the packing houses. These men are largely used for picking but at times the same men are used in the packing shed for general floor help.

In most cases the cooperative packing houses employ the labor used in picking citrus and in the vegetable packing sheds they employ the labor used in harvesting the vegetables.

The packing sheds operate in close unity with the harvest of the crop. Their operations are so closely intermingled that interference by one would damage the other. The packing house must operate at the time the crops are being harvested and must handle them promptly and properly. Therefore, any zone must include all the facilities for not only the growing and harvesting of the crop but also for putting it into proper shape for marketing.

In California and Arizona the labor costs of packing citrus are approximately 70 percent of the packing costs. Any change in this cost directly affects the return to growers.

It is the request of the California and Arizona citrus growers that the exemption provided for in 13 (a) (10) be maintained and that Congress define the area of production as follows:

"An individual shall be regarded as employed within the area of production within the meaning of section 13 (a) (10) if he is so engaged in an establishment which is located in an agricultural community and the establishment obtained during the preceding calendar year 80 percent or more of the fruits or vegetables handled by it directly from farms located in the county in which the establishment is located or in contiguous counties.

"As used in the preceding paragraph (1) 'agricultural community' shall include any place where such services are performed except services performed in an establishment located in a terminal market to which establishment prepared fruits or vegetables are delivered for distribution for consumption; (2) 'contiguous county' shall mean a county any point of which makes contact with any point of the county in which the establishment is located."

Respectfullly submitted.

H. A. THOMAS, Jr.

EXHIBIT 19

STATEMENT OF JOHN R. VAN ARNUM, SECRETARY, ON BEHALF OF THE NATIONAL LEAGUE OF WHOLESALE FRESH FRUIT AND VEGETABLE DISTRIBUTORS, ON S. 1349, A BILL TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938

I

The National League of Wholesale Fresh Fruit and Vegetable Distributors is a voluntary, nonprofit trade association organized in January 1893 as the National League of Commission Merchants and incorporated in the State of Illinois, with over 1,000 members, individual and grower-shipper exchanges and carlot distributors, located in 35 States and most of the large markets east of the Mississippi River. At one point or another, as shippers, intermediate distributors, or receivers, its members handle approximately 65 to 70 percent of the total commercial volume of fresh fruits and vegetables of the United States, which includes all of the domestic fruits, vegetables, melons, and berries.

II

S. 1349 has for its purpose, among other things, the removal of the "area of production" exemption; increases in the minimum per-hour wage to 65, 70, and

75 cents, with time and one-half-overtime for hours worked over 40 in each workweek; establishes job classification differentials within and between unskilled and skilled employee groups; and establishes a 5-year statute of limitations for recovery of damages by employees.

To each of these new provisions petitioner offers objection and reasons therefor, and, further recommends amendment to section 7 (b) by adoption of (4) to read as follows:

"(4) If the employees' hourly rate of pay, by union contract or otherwise, is established in excess of the minimum wage provided in section 6, until the established rate of pay per hour extended by the number of hours worked in any workweek, results in less compensation than would result from the application of the minimum hourly wage for 40 hours, plus 1½ times minimum wage for hours over 40, in which case the minimum wage plus 1½ times for hours over 40 shall be the basis for compensation that week."

III

With the addition of the above amendment, it is recommended that the following changes be made in S. 1349:

Section 2 (b): Delete from; on lines 16, and lines 17 and 18.
Section 3 (n): Delete.
Section 3 (o): Delete.
Section 6 (entire): Delete.
Section 7 (c): Restore old language.
Section 8 (entire): Delete.
Section 13 (10): Restore old language.
Section 16 (b): Change line 11 to read, "three months" instead of "five years."

IV

Section 2 (b), section 3 (n) (o), and section 8, all deal with a proposed "job classification" for both skilled and unskilled labor. Reduced to its practical application, the Administrator may appoint an industry committee, under section 5 of the present act, composed of representatives of the public, the employees involved, and the employers, a like number representing each group, with the chairman also to be appointed from the public group by the Administrator. Obviously the employers will always be a minority of one-third under any practical administrative practice based on the experience of the past decade, so that they might as well be left out, except to allow them to go through the motion of protesting. Even so, if the Administrator does not like the recommendations of the committee he can appoint another committee to bring in recommendations he does like.

To invest in the Administrator the authority to classify and fix private wages under any such conditions is beyond the realm of reason, as measured by what used to be proudly called American standards of independence.

In the first instance under the proposed bill, the Administrator may obtain from a committee a job classification for unskilled labor for the 75-cent minimum wage and then another committee recommend a wage differential for so-called skilled help above the 75-cent minimum. The bill does not say so, neither does it prohibit such action, but it would certainly give the Administrator a logical argument to say that the bill permitted a 75-cent minimum for unskilled labor, and also authorized a differential for skilled labor, which, of necessity would be higher than 75 cents, without any limit, on the recommendation of a committee of his appointing, on which the employer who pays the wages is represented by a minority.

This classifying of workers by administrative action is the more remarkable in American experience, when it is noted that it was a practice, by ukase of the Tsar, in Russia over a hundred years ago, according to Thomas Sears' Description of Russia, published in New York in 1855. There it describes the classification of serfs, peasants, bourgeois (including a classification of "respectable persons"), clergy and noblemen, who could neither be upgraded nor downgraded, without permission of the crown. Work or job classifications in the free cities and the "communes" were provided for the protection of the serfs and peasantry.

According to history the main body of modern Russians changed over from nomadic herdsmen, described by Herodotus as Scythians, early in the Christian era, to pure agricultural communists, with the people in each commune having common rights to all property, real, live, and personal, and with only a commune patriarch to decide controversial questions.

This led to a hereditary system of ascension to commune or village leadership and by consolidation of communes to the medieval overlordship of the Tsar, who acquired all of the rights to dispose of both people and land. The people (peasants and serfs) remained on about the same level, with certain rights, contrary to popular belief, guaranteed by the Crown but it became quite a low level. This original social and economic system has been restored by the Communist Dictatorship of present-day Russia, with the cycle starting all over with the elimination of the old "nobility" as they were called, that is, those who in the early days usurped, or were given, control and leadership by the Tsars at a later date.

How this middle-eastern Europe-Asiatic philosophy came to be transplanted to the halls of Congress in America is still a mystery to most Americans, who regard the idea that people are herds of stupid peasants that have to be fathered by the government, as an alien doctrine, which if operative during the whole course of our national history, would have left us a colony of England, or, earlier left the country to the Indians.

While many millions of Americans have fixed the responsibility for bringing these alien, middle-east European-Asiatic herd philosophy doctrines to this country, with all of the perverted lies of fascism, nazism, communism, and some other domestic isms, they don't understand the mental processes of scores of Senators and Representatives who might otherwise be expected to react as normal Americans, and this wonder is not confined to so-called 100 percent American-born citizens who trace their relatively new American ancestry back to the *Mayflower* or the Cavaliers.

It applies to our citizens of British, Irish, Italian, German, Scandinavian, and other European origins, many of whom, in our industry, came to this country as immigrants and, by using both their brain and brawn, worked their way up to the ownership of their own business. After 20 to 50 years in this country, they now see, under various sugar-coated theories of social progress, moves, supported or initiated by those in positions of leadership, which would impose on this country the doctrines of mass serfdom or peasantry, which they escaped in Europe.

It is easy to see that those Americans and aliens who sponsor or support this move, expect to continue as the leaders, eventually to emerge as the favored ruling class, but why so many people who have no such hope support them is the mystery.

Naturally, most unthinking and a lot of thinking people cannot resist the offer of "something for nothing." It is as much an infirmity of weak human nature as the urge to tell others what is good for them or what to do and make them take it if you have the power.

High wages paid by private business, jobs at the employee's will, relief when the applicant doesn't like the job, all kinds of special privileges for the downtrodden (but voting) minorities, social, economic, political equality, all guaranteed by the Government now, but paid for by the Government when the private well runs dry, sounds fine, now.

There can be no such thing as social, economic, or political equality, except at the lowest level. All history has proved this. Is there social, economic or political equality in Russia, which for centuries has had as many natural resources as any country in history and where the Dictator Stalin lives in castles and palaces, seen or heard by the masses of Moscow two or three times a year, guarded by the elite of the Russian Army, with a reported 7 or 8 million members of the Communist Party exercising exclusive political power (by the privilege of voting for one man) over 180,000,000 people, and with an estimated 8 to 9 millions of those people working as slaves in the salt and coal mines and the forests of Siberia for political offenses, as in the days of the Empire?

Many will say that the masses of Russia are still better off for food and shelter. Possibly and probably they are, as the imperial government was not only corrupt and arrogant but hopelessly incompetent, as are all dictatorship types of government, in time, and not too much time.

It will, no doubt, be said by many, that this is the same old scarehead cry of the conservatives, afraid of social reform; that the Government is only trying to uplift the downtrodden masses. All living things start from a seed. The present Russian regime appeared to burst forth full bloom in 1917, but that was because the masses of Russians had known nothing but communism at the bottom and autocracy at the top for centuries. They still have it. Transplanted to this country by seed, it will grow like a weed, if cultivated and

protected by political liberals and radicals, until the great numbers of freedom-loving Americans revolt or we succumb.

The autocracy of the demogog, the labor leader, the radical professional reformer, is no less domineering, given the power to enforce the dictates of his will, than that of a tsar, or a Stalin or a Hitler or a Mussolini.

The opportunity to make the most of his talents, the freedom to exercise them, without trampling other peoples' rights, whether he succeeds or fails, eats or goes hungry, the right to be a fool or make mistakes even, is the only guarantee of economic or any freedom, and government cannot exercise that function for any man, except by giving him a job at the taxpayers' expense. It cannot do it by giving nearly autocratic power, camouflaged by a committee report, to a bureaucratic administrator, to place whole groups of workers, without regard to their individual ability or personality, in preferred job classes, at arbitrary wage differentials.

Sooner or later the protected masses will level down to the plane that the productive work of the society can support, and that level will be ultimately decided by the enterprise, energy, ability, thought and willingness to accept economic risks on the part of the ambitious people of any community, not by politicians, labor leaders or reformers, all of whom have their rightful place in society, however.

V

Section 6 changes the minimum wage from the present 40 cents per hour, to 65 cents for the first year after the amendment would become effective; 70 cents for the second and 75 cents for the third and succeeding years. So far as these amounts are concerned, they don't mean much yet, even to those groups who are still exempt. They may in time mean everything to agricultural production.

When the original wage-hour bill, or the Fair Labor Standards Act of 1938, S. 2475, was first under discussion, proponents hailed it as the emancipation of the low-paid, long-working lower classes, and then Congress proceeded to exempt the lowest paid, longest working groups from its so-called benefits. Domestic and service workers, who were being paid 15 to 25 cents an hour in the central and southern cities (and generally were not worth that) were exempt. Agricultural labor and "seasonal" and "area of production" employees were exempt, these latter three often being interchangeable.

The principal beneficiaries of the Act were organized labor in the Central-Northern States, who were immediately and subsequently subject to 1½ times labor contract rates of pay, often running up to $1.50 per hour, never under 75 cents that we know of, for hours over 44—then 42, then 40 per week, although contracts called for 48 to 54 hours per week at regular pay. So far as its avowed purpose of raising the living standards of the lowest paid and spreading employment were concerned, the bill was a gigantic political farce, benefitting principally the highest paid organized labor groups in exact proportion to their hourly rate of pay.

Agricultural labor was exempt, however, on the sound premise that most agricultural products, as contrasted with industrial products, are sold on a strictly supply and demand basis, in accordance with prevailing consumer buying power. It didn't help the agricultural worker then but it assured the production of food, feed and fibre. In the cities of the south it eventually caused an increase in the hourly wages of the lowest strata of unskilled manual laborers, stevedores, etc., that is when the 40-cent level was reached, but by that time supply and demand for labor had outdistanced the 40 cents. In the Western-Central-Northern cities 40 cents an hour has been obsolete for many years, under higher living cost conditions, and, of course, during the war, a closer average for all labor would be 75 cents in the south and $1.25 to $1.50 in the north, with the southwest and Pacific coast in between.

This organization has no brief for low wages as such. We are as fully aware as any social reformer in the world that the millenium of high wages for everyone would mean a uniformly high consumer buying power with the consequent tremendous expansion of volume outlets for agricultural products at high price levels, in theory at least. In practice it would also be true, providing that the high level of wages resulted in high compensating production of goods. High wages without high production is merely inflation, however it comes about.

High wage rates mean nothing so far as the national economy is concerned, until converted into earnings by work and production of a substantial total of all productive workers.

High wages for a few million and low wages, unemployment and strikes for the majority mean one of three things for high-acreage, high-productive agriculture; either the government underwrites or buys the product to feed the people at the paying taxpayers' expense, or agriculture goes bankrupt, or government underwrites the cost of production, the first and third being alternatives.

The key to the whole problem is a free and expanding industry, as this country is now an industrial nation, to provide the jobs, wages, and buying power. A simple solution, this premise has been adopted by lip service on the part of nearly everyone who has had anything to say about it, except the radicals, socialists and communists and their supporters, who are, as usual, the loudest talkers, but always with a string, that is if industry agrees to every conceivable concession to organized labor including high wages, short hours at regular time, restricted working conditions and low prices. High wages are justified by high production. Low prices, in the absence of corporate or patent monopoly, are the result of superior competition of goods or services or both.

Industrial prosperity, universal, with the high wages and buying power that follow through the requirement of industry for labor, results in expanded demand and higher prices for agricultural products, and in turn, the need of the farmer and packer of food products to compete with industry for labor, or to compete with other agriculturists for the available supply of labor, when wage rates will rise and stay up to a level commensurate with the value of the service.

Wage-hour laws, except to control the exploitation of children or women in manual labor, would have no place in such a development. The presently proposed wage-hour law may or may not come into play, in those functions which would be removed from the exemption of the present bill. If the amendment becomes law, with the "area of production" exemption removed, and the level of wages unfortunately goes down to less than the 65-, 70-, or 75-cent minimum, then the result will be that those who pack and prepare food products for market will reach a point where they cannot afford to risk packing and shipping as much, so there will be less food shipped to market. There being less food, people in the higher buying power brackets will pay more, or price control and black markets will be maintained and those with lower buying power, unemployed, on strike and on relief will do without or with less.

With a poor crop of summer oranges in California, the small undesirable sizes sold on auction markets, Pittsburgh, Baltimore, Philadelphia, where all of the forces of supply and demand meet and are reconciled, for as low as 35 cents and often 50 and 75 cents for a 1⅘ bushel box. Packing costs are usually estimated at 60 to 75 cents a box, aside from production, transportation and marketing costs. This is an extreme case but is not unusual under normal economic conditions.

Perishable agricultural producers grow and pack an entire crop. The cost per unit up to point of sale is the same for each unit produced on each acre of a farm, grove or orchard. Only when it reaches market, whether at shipping point or destination, does the variation begin to appear in the price which the commodity brings. Difference in volume of supply available on a particular day; United States grade; actual quality; maturity; size; even the time of day, affect the wholesale price, which is reflection of what the retailer can sell for. A commodity of like character which will sell at $4 per package at 4 a. m., will not bring $2 at 10 a. m. on a Saturday morning, after the buyers have obtained their week-end supplies and only the bargain hunters are left, providing there has been an adequate supply to start with.

Unless Congress is convinced by a factual investigation that all of the elements of our economy, and this would apply to commercial services and industry, as well as agriculture, are economically able to support a minimum wage of 65, 70, or 75 cents per hour, at all times under foreseeable or predictable conditions, it should leave the present minimum of 40 cents in effect. This is not a brief for 40 cents an hour. We agree that this country could not support the present government or economy or even pay the service charges on, much less retire, the public debt on a 40 cents wage level.

VI

Section 7 (c) and 13 (10) relate to the "area of production" exemption in the present act, which is proposed to be omitted in the amendment. The "area of production" is as important to the production and preparation for market of perishable agricultural commodities, as the farm, grove, or orchard on which the commodity is grown, from a cost of production basis.

Commodities grown in Florida, Mississippi, Louisiana, Texas, California, Washington, Oregon, Michigan, Maine, or any other commercial producing State, unless

graded, sized, washed, packed, and sometimes kept in packing house or local storage for a while, are as worthless as if never grown. They are perishable and hundreds or even thousands of miles from anyone who will buy them for food. Whether the grower performs these functions on his farm, as many do, with family help, or whether the convenience, economy, because of specialized facilities and labor, he sells the product to a packer or pays him to do it, it is still part of the necessary function of the production of a package of food, which is what the producer grows to sell. If it costs the packer 50 cents to perform all of these functions, including furnishing the package, and he charges 10 cents a package for overhead and profit, making 60 cents altogether, it doesn't matter to the grower whether he pays the packer 60 cents and sells f. o. b. car or sells the commodity to the packer for 60 cents less and the packer sells f. o. b. car or whether the grower builds a packing house, hires the labor or uses hired farm labor, and tries to do the job for less than the packer if he can, if each method costs the same. If, because of specialization, one method is cheaper than the other, all factors considered, he will use that. A packer who would charge $1 when the growers in the area can do the same job for 50 cents a package would go broke for want of business. Commercial production is not a victory garden operation.

There is only one point of similarity between a victory garden and commercial production, that is that the produce is grown to be eaten. The victory gardener, dependent somewhat on his success, pulls a tomato off of the vine and takes it in the house to eat. If he could do this all year around for all food he needs, we wouldn't need commercial production.

We would need no packing houses; no agricultural labor; no "area of production" labor; no trucking from farm, grove or orchard to the packing shed or to market; no rail or water transportation; we would have no cost of trucking and handling in the wholesale market, no waste or deterioration in either the wholesale market or the retail store, no labor costs at 1½ times regular rate on Saturdays or for overtime or double pay on Sundays or holidays, no middle man. Sounds silly of course, but no more silly than the mouthing of those people, often in high position, elective or appointive, in the Government and in Congress, who are always complaining of the middleman's cost.

Obviously, if the middleman or the grower wasn't forced to pay these costs there would be no point in incurring them but he does have to pay fixed costs, by the wage-hour law, by the railroads, by organized labor, regardless of his yield per acre, his cost of production up to harvest time or the price he receives either per unit or for his crop, whether he makes a profit or takes a loss.

Actually, it is a sound rule of economics, that the labor costs at packing shed, transportation and handling costs up to where he gets his price, are all a part of the cost of production, whether he sells f. o. b. on the basis of the price the commodity will bring at the place where the buyer sells it; whether he incurs the labor and transportation costs and sells delivered to a retail warehouse in the city or whether he ships and sells on consignment through a commission merchant or an auction, or competes with a victory gardener or a local truck farmer who sells direct to the consumer at his farm.

All price studies over the years have shown that with minute variations, the producer gets the same return. It doesn't matter whether one agency handles the produce from farm to consumer, or whether two, three, or four perform specialized functions and split the margin between the farm price and what the consumer will pay in a competitive market. OPA has proven that with price and margin control.

It is our position therefore, that unless Congress is prepared to take over the production and distribution of food, the "area of production" exemption is just as sound and justified as the agricultural labor exemption and the area of production is the entire area from which the agricultural product is drawn, not an artificial boundary concocted by some economist or a limitation on the population or distance from a particular town, whether it be 5, 10, or 50 miles distant or a town of 150, 1,500, 15,000, or 150,000 population by the United States Census of 1930.

Congress should write into the present act a definition of the exemption of the "area of production" as the entire area from which the first packer or processor draws his supplies, whether that packer be a private enterprise, a cooperative or an agent packing for the producer on a cost per package basis. This exemption should apply until the merchandise is loaded on a rail, water, or highway common carrier for transportation.

VII

Finally section 16 (b) in the amendment proposes to impose a 5-year statute of limitations on the employer for violation of any of the intricate bookkeeping requirements of the act.

Reduced to its ridiculous extremity, this means that a common day laborer could prosecute a complaint against an employer 4 years and 51 weeks after he had performed a week's work loading or unloading trucks or refrigerator freight cars during a busy spell, on the issue of whether he had been paid for 2 hours overtime that he knocked off 1 day when the boss had to leave to attend to something else.

It is not sufficient to say that a Government bureau in Washington would not entertain such a frivolous complaint.

They do every day, as the records will prove. Whoever wrote this clause in the amendment must really be an enemy of orderly society although it would certainly assure the agency administering the act a sure job for all time, they think. This is not comparable to the conventional statute of limitations where a prosecutor must prepare a case for presentation to a grand jury or where a plaintiff must risk time, effort, and attorney fees to try a suit for damages. This is a case where anyone of millions of people can, merely by complaint to a court of competent jurisdiction with the help of the Administrator, force an employer to keep minute records for 5 years, subject to the most exact particularity of employment of roving labor, and subject to double penalty for loss of records through fire, flood, storm damage, removal of place of business, or any of several causes that have nothing to do with the scale of living or anything related to normal law observance.

Congress should strike this proviso and if some statutory period of liability is deemed desirable, it should provide a period of time when the details, proof, and recollections of such transactions are fresh, but not over 3 months. A person who doesn't decide he has been underpaid in that time doesn't know whether he has or hasn't and should not be allowed to become a public nuisance by law.

CONCLUSION

We desire to express the hope and to urge Congress to weigh to end results of such proposals as are contained in the amendments under S. 1349. This is not yet a socialist or communist nation, and there are many millions of people who are determined that it will not be. The unorganized majority have been deeply concerned with the trend of recent years, both in politics and in the openly communist and alien teaching in our public schools and many of our universities, where American history is ignored and Freud, Marx, and almost anyone with a foreign name and enough cockeyed theories on what is wrong with our American socitey and economy is must reading. We look to Congress first to reverse this trend. We are fully aware that industry, as it has grown in the last 75 years has committed many wrongs. Millions of aliens brought to this country almost like cattle to build our industrial machine have left us with many social and economic problems. The answer is not to transplant the Government regulated peasant or serf system to this country, and that is the inevitable outcome of regimentation, dictatorship, and bureaucracy at the top, equality of the masses at the bottom, and the elimination of private enterprise, the keystone of American progress in the past.

Respectfully submitted,

JOHN R. VAN ARNUM, *Secretary.*

EXHIBIT 20

TESTIMONY OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION TO THE HOUSE LABOR COMMITTEE ON VARIOUS BILLS TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938, NOVEMBER 13, 1945

Almost exactly 1 year ago the delegates to the National Farmers Union's Thirty-ninth Annual Convention adopted a program that is still the guide to Farmers Union national officials in the execution of policy. In that program the delegates declared that "it is time to check and reverse the dispossession of American farm families from the land" and that "fair competition must be established within American agriculture. As the first point of a program

designed to attain that objective, the delegates recommended that the Fair Labor Act be extended "to include all farm wage earners" and that the act be amended "to set a minimum of 60 cents an hour, the least that will sustain purchasing power necessary to meet dietary needs."

It is pursuant to that mandate that I appear here today to urge the adoption of a bill that will not only increase the minimum wage, but that will broadly extend the coverage of the act. The members of our organization believe that every industry that can be covered ought to be covered, and they particularly urge the application of the minimum to hired workers in agriculture.

We regard this legislation as being agricultural legislation as much as nonagriculture, just as we regard measures directed toward the maintenance of continuous full employment as being agricultural legislation.

It is significant that the quotations I have taken from the 1945 program of the Farmers Union are part of the section entitled "Action to save family-type farming." The preamble to that section reads as follows: "For years, farm organizations, legislators, and Government spokesmen have declared that family-type farming must be made the basic pattern of American agriculture, that it is the basis of rural democracy and thus one of the foundation stones of democracy for all Americans. Yet, with few exceptions, no realistic effort has been made to advance this pattern in agriculture."

We are primarily interested in amendment of the Fair Labor Standards Act, then, because we believe that such amendment can be an instrument for the promotion of family-type farming, the basic tenet of our whole agricultural program. Almost since the inception of the Farmers Union in 1902, we have believed that in the best and broadest sense the family-owned and operated farm is the most efficient agricultural unit. We have believed that it is far more efficient than the so-called factory farm so far as social and democratic values are concerned. But more pertinent to the legislation under consideration here today we have also believed that for a large part of agriculture the family farm also was the most efficient from the standpoint of cold production cost efficiency.

Throughout those years, our members have believed that the most serious handicap with which they contended in trying to improve the efficiency of the family-type farm was the ability of the large farm to hire labor at sweatshop and subsweatshop wages. The payment of such wages in agriculture cheapens the value of all labor in agriculture, and so renders of little worth the work of the independent operator himself.

So far as our members are concerned they are perfectly willing to pay fair wages themselves for such labor as they are required to hire. It is their conviction that in the long run they will be more than compensated for the payment of such wages by the partial restoration of fair competition between large-scale farms and family farms that would be the result if those large operators were compelled to pay moderately good wages. They feel that in effect the factory farms now enjoy a subsidy in the form of human sweat and human energy that enables them to compete unfairly with family farmers.

The belief of our members that the welfare of hired farm labor and of family farmers is closely interwoven has recently received scientific confirmation. In September 1944, the Department of Agriculture published a document entitled "Wages of Agriculture Labor in the United States" prepared by Dr. Louis J. Ducoff in consultation with a committee of seven other social scientists in the Department. This document contains the following passage:

"The welfare of both farmers and their hired workers are closely tied to general economic conditions in the country as a whole.

"Real net farm income rises with increases in the volume of nonagricultural employment. In times of extensive unemployment, farm wage rates are low both because of the pressure of a surplus labor supply and because of reduced farm income. Thus mass unemployment during the depression years (exceeding 13,000,000 persons) carried with it a level of farm wage rates of approximately $1.25 a day (in terms of 1940 dollars), and a very low level of real net farm income. Farm income climbed out of the depression and rose to successively higher levels with progressive increases in nonagricultural employment. The recovery of farm wage rates, however, was much slower, as considerable unemployment still prevailed as recently as 1941. Farm wage rates attained a level of $2.50 a day (in 1940 dollars) only when unemployment was reduced to almost a minimum level. The significance of full employment to both farmers and hired farm workers is evident from the relationships shown in figure 23.

"The interdependence between farmers' income and income received as wages by hired laborers means that the two change in the same direction, and overall national or regional figures on farm income and farm wages indicate that this has been the case over the whole period for which information is available. Data are not available to indicate how close the relationship is in the case of those groups of farms which mainly comprise the employing sector. Although there is reason to assume such a relationship, the changes in net income for labor and management on such farms and in annual wage income per worker occur at absolute levels which are greatly different.

"In recognizing the interdependence between the level of farm income and the level of farm wages, it should also be recognized that the comparative economic conditions of farmers who do the bulk of the hiring and of the workers they employ cannot be correctly appraised from farm-income data based on totals or averages for all farms. The all-farm average farm income reflects the depressed or impoverished conditions of a great mass of people who subsist on farms and who contribute very little to commercial production, but it does not fairly represent that sector of our agricultural economy which furnishes the bulk of our agricultural production where the problems of farm wages and wage workers are heavily concentrated.

"The fact is that the major share of agricultural production and agricultural income is produced and received by only a fraction of the farms and farmers. In 1929, it is estimated that the upper 10 percent of the Nation's farms produced 47 percent of the marketed products, while in 1939 the upper 10 percent of the farms accounted for 54 percent of the Nation's sales of farm products.

"The concentration of hired workers on a small proportion of the farms is even more marked. In 1939 more than two-thirds (68 percent) of the cash farm wage bill was paid on only 9 percent of the Nation's farms. There are no comprehensive data to show the changes over a period of years in the amount of net farm income of the groups of farmers who are important employers of hired labor. That there is a big spread between the average net income of such farmers and the average for all farms is suggested by available data for 1939. In that year, the estimated net returns for family labor and management of farms with a gross value of production of $4,000 or more, averaged $2,305 per farm as compared with $350 for all farms.

"Because agricultural wage problems affect primarily a special sector of agricultural producers, the essential nature of these problems cannot be brought into sharp focus without disentangling the conditions of farmers who in the main do the hiring of labor from the conditions affecting the mass of low-income farmers. Formulation of sound agricultural wage policy requires such differential analyses in order to fit programs affecting agricultural wages to the problems peculiar to the employing sector of the agricultural industry.

"But national policies with respect to postwar agriculture cannot afford to overlook the pressing problems of low-income farmers, with due recognition of the indirect effects of such problems on wage conditions. These indirect effects arise from two directions. On the one hand, because the demand for agricultural products under given conditions of national income is relatively inelastic, even the small production contributed by the mass of noncommercial farms tends to depress farm prices. On the other hand, the large numbers of underemployed population on farms tend to depress farm wage standards.

"That the conditions of low-income farmers are similar to those of hired farm workers is suggested by the fact that in 1939 the average net returns for family labor and management for all farms, which is heavily weighted with low-income farms, was almost identical with the average wages of the hired man who worked a full 12 months.

"The interdependence of agricultural income with nonagricultural income, as has been mentioned, has implications for postwar policy regarding farm wages. The aspect usually considered in interpreting the relationship between the farm and nonfarm parts of the economy is that the greater purchasing power accompanying higher levels of employment in industry gives rise to an increased demand for farm products and thus produces a rise in agricultural prices and income. Another important aspect of the interrelationship, not always so explicitly realized, is the opportunity that expansion in nonagricultural employment affords the farm population for gainful work and improvement of their economic status, which may occur with or without migration."

I should like to call to the committee's attention the three charts bearing on this subject included in the document from which I have just quoted. If it is appropriate I suggest that the charts be made a part of the record of this hearing.

The National Farmers Union endorses S. 1349 and the companion House bills, H. R. 3914, H. R. 3928, H. R. 4222, H. R. 3844, however, even if they should not be

amended to extend coverage in the manner I have suggested. Again, we adopt this position not from humanitarian considerations, although those obviously are involved, but solely from the standpoint of enlightened self-interest. Even if the question of the prosperity of family farmers were not involved, we believe that any action toward strengthening mass purchasing power for farm products works to the benefit of agriculture. In the first place agriculture is peculiarly vulnerable to changes in demand for its products. The tendency of all farmers is to produce fully, and ordinarily agricultural production cannot respond except after months of delay to price changes in the market place. The historic difficulty of farmers has been that other parts of the economy could combine to adjust supply to demand, whereas farmers were helpless to do so. This condition was somewhat altered by the system of acreage allotments, production controls, and production goals. But the basic difficulty remains, the difficulty of potential abundance of production on the one hand and of feeble purchasing power on the other.

It is of far more benefit to farmers to be able to rely upon a stable price than it is to rely upon very high prices in some years to offset very low prices in other years. The agricultural operation is not geared to such fluctuation, and stability is perhaps more to be desired in its marketing operation than in those of any other industry. We believe that a steady increase in the minimum wage and a wide extension of coverage to all possible workers provides one of the best assurances of such stable prices and purchasing power for farm products. We are inclined to view minimum wage legislation in the same light as we view the support price program for farm products. Just as the latter is intended to put a floor under farm prices, so the former could be expected to put a floor under buying power for farm products.

In addition to the essential element of stability, we favor such legislation because it means additional money in the hands of those most in need of farm products, particularly food. In other words, so far as the farmer is concerned every dollar that is added to the income of the very low wage groups is a more efficient dollar than those added to the incomes of higher wage and salary groups. The reason is obvious. The lower income groups must spend a far greater proportion of their incomes for food than do higher income groups. Despite the fact that we are the wealthiest nation in the world we know now that millions of our people are undernourished. We discovered the true extent of malnutrition with dramatic force when about 40 percent of our young men were rejected for military service, the greater proportion of them because of physical lacks traceable to inadequate diets. Among the low-income groups where malnutrition is enforced by the iron hand of poverty at least 50 percent of the income goes for products of the farm, as against an average of 40 percent in other income groups. It is among these low-income groups, therefore, that farmers can look for the greatest expansion of their markets, and for the greatest insurance against the accumulation of so-called surpluses in the years of peace ahead of us.

We believe this market to be of greater significance to American agriculture than any other. We earnestly hope for expanded world trade and for the opening of wider markets abroad for the products of our agriculture, but we do not believe that foreign markets offer an opportunity in any way comparable to those available to us here at home through measures to expand consumption. We are heartily in favor of the subsidization of the diets of low-income citizens and believe that such legislation is desirable and necessary. As do others, however, we would greatly prefer to achieve the same objective without subsidy or with as little subsidy as possible. We believe that minimum wage legislation offers one way of doing exactly that.

Our farmers endorse this legislation for a variety of other reasons into none of which I will go in detail. As parents and citizens they are interested because their children by the thousands annually migrate from farms to cities and they believe that those children ought to be protected against substandard wages in the cities. As taxpayers, our farmers are inclined to think that a minimum wage law results in an economy of public expenditures, because good wages inevitably will reduce the demands upon the public treasuries of municipalities, of the States, and of the Nation for a variety of relief and works programs. And as consumers our farmers agree with Price Administrator Bowles in his view that more efficient workers will result in the long run from the payment of good wages and that such productive efficiency ultimately will mean lower costs to farmers of the products of industry that they must buy.

EXHIBIT 21

STATEMENT OF THE UNITED PACKINGHOUSE WORKERS OF AMERICA, CIO, URGING LEGISLATIVE ACTION BY CONGRESS TO ESTABLISH A MINIMUM WAGE RATE OF 65 CENTS AN HOUR

The meat-packing industry is looked to by about 200,000 workers as the source of livelihood for themselves and their families. The great bulk of these workers—nearly 70 percent, according to the War Manpower Commission—is employed by the industry's b g four: Swift, Armour, Wilson, and Cudahy. In addition, the Morrell, Hormel, and Rath companies each employ more than 5,000 workers, and the Kingan and Hygrade companies are not far behind.

These familiar names are called attention to in order to establish at once what is sometimes almost forgotten: That the meat-packing industry is essentially a large-scale mass production industry in which a few firms account for most of the output and the employment.

The wage levels for common labor among the big four plants and larger independents are low when measured by the high profits prevailing in meat packing or by the wage rates paid other large-scale integrated manufacturing industries or by the income requirements of wage-earning families. Common labor rates, basic to the whole wage structure, start with 77½ cents for male workers in west coast packing packing plants and go as low as 46½ cents for women workers at a plant operated by one of the big four in Georgia. In this same plant the minimum for men is 52½ cents.

Rates in the South, in fact, at all b g four plants are less than 65 cents an hour for men. This includes such large plants as those located at Fort Worth and Oklahoma City—plants where the operations are so subdivided and scheduled as to entail the same work loads, job for job, as at the big companion plants operated by the same companies in such northern centers as Chicago, St. Louis, Kansas City, Omaha, and St. Paul. And in the North, outside of the west coast, the basic rate for women is everywhere below 65 cents an hour.

It is in order to emphasize here, before more closely examining the wage picture that the big four and larger independents in meat packing are in the nature of "chain" concerns which maintain networks of big slaughtering and processing plants and branch houses throughout the country—with the larger ones also heavily represented in South America and Canada.

In this country—with one possible exception—any one of these "chain" packers is in a position to shift a signficant part of its output—i. e., expand or curtail—if the cost of production at any one plant makes it financially attractive to do so. While various factors are involved besides wage scales, it is obvious that in over lapping areas from which livestock is drawn there is a premium placed on maximizing slaughter at plants which have relatively low wage scales. This is in spite of the fact that plant labor in meat packing, as is typical with food-processing industries, accounts for only 6 to 7 percent of the total cost of production—10 to 11 percent when salaries for the office and supervisory personnel are included.

This differential situation in respect to labor costs means that efforts to raise the general wage level encounter a peculiar and pernicious kind of "competitive" drag throughout the industry. While, for example, from the standpoint of ownership and management, the Armour plant at Fort Worth does not compete in a basic sense with the company's plants at Omaha and Chicago, the workers at these plants in a real sense are competing, with a premium placed on production at the center where labor is cheapest. (At Fort Worth the basic common labor rate for males is 64 cents, while for females it is 53 cents; the corresponding rates are 70 and 59 at Omaha and 72½ and 62 at Chicago.)

Demonstration of this is afforded by the record at Chicago where the total number of animals slaughtered fell off one-fourth from 1928 to 1944. When the more valid comparison is made with prewar 1939, before the great wartime expansion in livestock production had occurred, the much greater drop of 40 percent in slaughter at Chicago is disclosed. In the meanwhile, nearly all other centers expanded meat production substantially. The explanation? Undoubtedly a number of factors were involved, but it is certain that the higher basic wage scale at Chicago which was introduced in 1929, with the differential maintained thereafter, created a profit inducement to build up production elsewhere.

From the standpoint of social policy, the kind of insecurity and instability for wage earners to which the chain production set-up in meat packing lends

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itself, when it is accompanied by differential wage scales, presents a powerful argument for uniform floors for wages. The case is strengthened when one considers that the minimum hourly rates (72½ and 62 cents), now in effect at Chicago and other important "Metropolitan" rate centers, are themselves obviously much too low to yield weekly or annual earnings adequate for minimum family living requirements.

The low differential wage scales prevalent in packing are in sharp contrast to the industry's pricing policy. This policy is that any item, whether a side of beef or a pound of premium sliced bacon or of fat back, will sell at the same price, quality considered, in a given market—irrespective of the location of the packinghouse where it was prepared.

Significantly, there is no indication that any economies in labor cost which exist at the "chain" plants where submarginal wage scales prevail are passed on to the consumer in the form of lower average prices for meat. On the contrary, the differential wage structure in the meat-packing industry becomes a source of additional profit margin to the stockholders of the various companies.

At this point it is appropriate to answer the question which naturally arises: How have the major meat-packing companies been doing, profit-wise, in recent years? The answer is portrayed by the following table, which summarizes data prepared by Donald Montgomery, chairman of the CIO's cost-of-living committee.

Net sales and profits before and after taxes—8 largest companies

	1936–39 average	1939	1944
	Dollars in thousands		
Net sales	$2,071,295	$2,204,068	$4,551,734
Profits before income taxes	22,382	33,916	153,193
Profits after taxes	17,472	27,429	44,110
	Indexes (1936–39 average = 100)		
Net sales	100	106	220
Profits before income taxes	100	152	684
Profits after taxes	100	157	252
	Return on net sales (percent)		
Before income taxes	1.1	1.5	3.4
After taxes	.8	1.2	1.0
	Return on net worth[1] (percent)		
Before income taxes	3.9	6.0	25.0
After taxes	3.1	4.9	7.2

[1] Returns are calculated on the average of net worth at the beginning of each year. Net worth is the sum of the common and preferred stocks, surplus and surplus reserves.

Source: Moody's Industrials and Standard and Poor's Corporation Reports.

The figures above eloquently speak for themselves. But several features may deserve notice. First, the net sales figure is in terms of billions of dollars—a fact which reminds us that during prewar meat packing was one of the Nation's largest industries, ranking just below steel and above petroleum in sales volume.

Second, the index numbers show a wartime expansion in profits greater than sales—tremendously before taxes and significantly after taxes.

Third, even the percentage return on sales has been substantial—more than trebling before income taxes. This is worth observing because the packing companies are anxious to confine a consideration of their returns to those on dollar sales rather than to return on investment. Their preference is easy to understand because the "small" profit per dollar of sales deflects attention from the frequency of turn-over of output and inventory in this industry.

Fourth, the return on net worth, which OPA and other disinterested authorities regard as the decisive test (rather than return on net sales), reveals that the rate of return before taxes has jumped to a level almost seven times as high as the prewar level; while, after taxes, the rate was nearly two and a half times as great.

It will not be surprising that the large meat-packing companies have been paying great amounts in excess-profits taxes. For example, the combined total of the two largest firms, Swift and Armour, for their fiscal year ending October 28, 1944, was over $66,000,000. This was accomplished at a time when price control was in effect, a central feature of which was hundreds of millions of subsidies that were paid in the first instance to the companies as a device to hold down meat prices.

While this subsidy technique was in effect—protecting the packers as well as the consumer—the packing companies were absolutely unwilling to agree to voluntary wage increases. Perhaps it will astonish this committee to learn that the big packing companies have utilized all of the time-consuming machinery of the National War Labor Board so successfully that they have managed to avoid any general wage increase since a few months before Pearl Harbor. This fact is not altered through recent "fringe" concessions obtained under NWLB procedure.

Certain consequences have flowed from the packing industry's wartime "victory" over labor on the wage issue. One is that the packing industry has had the unenviable record of ranking among the highest in the United States in the matter of labor turn-over. In many months, in fact, the rate was the very highest, adding up to even more than a complete replacement, on an annual basis, of the entire labor force. So many tens of thousands of key workers were driven out of this war industry for other war industries, because of the low wages in packing, that two results are particularly worthy of attention:

One result is that frequently acute labor shortages appeared which sometimes dammed up livestock in the yards and on the farms, causing farmers to lose money and to reduce hog breeding; procurement officers in the armed forces to tear their hair in worry over whether they would be able to fill their quotas and further intensifying the meat procurement problem of the housewife. (Incidentally, through all the war years not a single strike can be pointed to as contributing to the meat-shortage problem.)

The other result of the great exodus from this low-wage industry was extensive overtime—in fact, often excessive overtime when the worker's health and morale are taken into account. But it was only through such overtime that the wartime increase of 30 percent in meat output was made possible. Moreover, it has only been through overtime earnings that numerous packinghouse workers have been able to "get by" as the squeeze from stationary wage rates and mounting living costs has tightened.

Fifty-hour weeks and up, however, are becoming increasingly scarce in packing. In fact, for many months—beginning in 1944—hog departments in the typical packing plant have had so few hogs and so little pork to work with that significant lay-offs have occurred and, even more, such short hours have prevailed that thousands and thousands of employees, after deductions, have been taking home pay of $17 and less per week. Furthermore, as unemployment develops in other war industries, workers who left packing are returning. As they do so, managements are enabled to reduce overtime; and this will be increasingly done as a means of avoiding the payment of higher overtime rates.

This brings us back to the low-paid worker. For the impact of short time and reduced overtime falls with special weight upon the employee at the common labor rates. In his case, reduced earnings cut still deeper into the fund required for bare essentials. Higher-paid workers in the hog departments, e. g., are likely to be temporarily transferred to other departments, because the management does not want these workers to quit in disgust over the low short-time earnings; their skill makes them hard to replace, once they escape from the blood and other disagreeable features of a packing plant. But managements tend to assume that in the "common labor" classification replacements will be easier. Higher wage rates would hold many of these workers. But managements, even during the labor-shortage period of wartime, calculate that heavy labor turn-over entails less expense than something more closely approximating a living wage. We think this is mistaken and short-sighted from management's point of view. But even if their method "saves money" it clearly saddles society with high human costs.

Since this committee is immediately concerned only with that part of the wage picture affecting workers who receive less than 65 cents an hour, attention will now be more narrowly directed to these workers. As previously stated, women employees' basic common labor rate—except on the west coast, where meat packing has not yet attained major proportions—is everywhere paid at the rate of 62 cents or less per hour.[1]

Women, according to the War Manpower Commission, constitute 25 percent of the labor force in meat packing. In many departments they provide the entire personnel. It might be assumed, however, that most of the women workers receive enough above the minimum rates to push them over the 65-cent line. However, careful inquiry indicates that at least 80 percent of the women workers receive less than 65 cents an hour—and in the South, of course, the percentage is almost certainly 100.

Men workers below 65 cents an hour are limited, for the large companies, to the South. Small companies in the North as well as in the South frequently pay their less skilled workers less than 65 cents per hour. Nor is it to be overlooked that the South will undoubtedly grow as a meat-packing area, hand in hand with the growth of the livestock industry. Meanwhile, the present size and importance of the industry in the South is not to be minimized.

No doubt close estimates can be supplied to the committee by the United States Department of Labor as to the aggregate volume of employment in the meat-packing industry which is rated at 65 cents or less, with a break-down by sex if that is desired.

In appraising the previously mentioned "competitive drag" resulting from low wages in this industry, additional important considerations must be taken into account. One is the fact that workers in lower-paid classifications, at or very close to the basic common labor rate, comprise at least two-thirds of all employment.[2] Another consideration is clearly revealed by the following statement from a Swift & Co. source:

"The basic wage rate is the foundation upon which the entire wage structure is built."[3]

This quoted statement calls attention to a familiar fact: The common labor rate provides the foundation upon which differentials in respect to more skilled jobs are built. That is, if the foundation is low, the whole wage structure will be substandard. And the way to change this is to raise the foundation.

Foundation raising can be accomplished in various ways, including collective bargaining which has made great headway in the few short years since this union appeared upon the scene. But for the reasons set forth above—not the least of which is the functioning of the "chain" lay-out of plants in the industry which has been described—we would welcome a raising and an evening up of the industry's wage foundation through statutory enactment by Congress.

The Big Four companies in particular speak of themselves and are described in the industry as "national packers." They are by no means unique in being national concerns. But we hold that these giant nation-wide networks in our industry afford especially strong demonstration of the need for national minimum wage standards for the workers who are such a vital factor in the industry.

Little, except by implication, so far has been said here on the unmet living requirements of families of packing-house workers who receive less than 65 cents per hour. The committee has had much convincing evidence on this all-important side of the subject. There is essentially little to add with respect to packing-house workers—except to point out that special living costs are imposed upon them in consequence of special health and accident hazards arising out of their work and that the lowest paid workers are largely concentrated in the most disagreeable and unhealthy sections of the packing plant.

We would, however, like to call the committee's attention to an analysis prepared concerning the cost-of-living situation confronting our large membership at the Big Four plants in Omaha. This analysis is a section in our brief favoring the elimination of the existing geographical wage rate differentials in meat packing. The brief was recently submitted to the National Meat Packing Commission (acting under NWLB procedure) during the course of hearings at Chicago.

[1] A further exception is the Rath Packing Co., which pays 63 cents at its large plant in Waterloo, Iowa.

[2] See, e. g., Lynn Ramsey Edminster, Meat Packing and Slaughtering, Encyclopaedia of the Social Sciences, Vol. 10, p. 248.

[3] Swift & Co.'s Training Courses, Training Division, Industrial Relations Department, Chicago, Ill., August 1942. Series O, Employees' Earnings for Services. Lesson II—Wage Scales, Job Rates, and Occupational Ratings.

Minimum rates in the Omaha plants are 70 cents for men and 59 cents for women. Wage and income computations contained in the quoted statement below are in terms of 70 cents per hour. In view of the bill being considered by this committee providing within 2 years for a 70-cent minimum hourly rate, this material may be of particular interest to the committee. Because the committee is considering the advisability of a minimum rate which would apply to women as well as men, it will not be overlooked that the present 70-cent-an-hour male worker in Omaha, a northern city, typically has a family to support—a condition of course also applying to more than a few women workers.

If there might be an inclination to believe that raising 59-cent women workers in Omaha to 65 cents has no relevance for 70-cent workers, it is in order to recall the previously quoted statement from Swift & Co. to the effect that the common labor wage rate is the basic foundation for the whole wage structure. In other words, raising the 59-cent foundation to 65 cents would result in changing the entire wage structure, including the 70-cent rate for men. (Parenthetically, it may be remarked that our contracts with the companies provide for paying women the same rates as men where the work is the same.)

The reproduced material on Omaha follows:

"LOW INCOME WORKERS IN OMAHA-COUNCIL BLUFFS

"Prewar income and expenditure data for Omaha, Nebr.-Council Bluffs, Iowa, are of value in providing perspective with regard to the present cost-of-living situation and also for the light thrown on the prospect for the near future. This meat-packing center may be regarded as typical of most others in respect to the cost of living. The situation of low-paid packing-house workers in a few localities might be slightly better, while in others it is worse—in southern centers materially worse. The study of consumer purchases[4a] reveals that for wage earners averaging $638 income per year in 1935–36, expenditures averaged $844, leaving an average net deficit of $184 for the year.* Deficits continued to exist for family incomes up to and including those averaging $1,391, where the deficit averaged $27 and affecting 47 percent of all families receiving this income. Only for the group averaging $1,625 did a "net surplus" ($45) develop. This was the record when living costs were much lower than they are at present.

"Commenting on the effect of wartime living cost increases on the lowest paid group of Omaha-Council Bluffs workers just cited, A. F. Hinrichs, Acting Commissioner of Labor Statistics in the Bureau of Labor Statistics, under date of May 16, stated in a letter addressed to the research director for this union: 'A price increase of 20 percent has serious implications for these families and the community in which they live. If living standards are maintained, more of the families will spend in excess of the year's income and accumulate debts, some of which may never be paid. If the scale of living is further reduced, the health of the families is endangered. This group spent only $2.10 per week per person on food in 1935–36. At that time very few large city families spending this amount had adequate diets (U. S. Department of Agriculture, Miscellaneous Publication 472, Family Food Consumption and Dietary Levels, p. 58). Obviously, if the families have not increased their food expenditures, but altered their food choices, the higher prices have meant a larger number of low-income families with poor diets.'

"This statement of Mr. Hinrichs applies in large measure to a high percentage of the families whose incomes ranged up to $1,391, where a deficit was shown for the group as a whole. Here it is pertinent to note that 70-cents-per-hour workers—if they were employed the almost-unheard-of average of 50 full 40-hour weeks a year—would gross $1,400. But pay-roll deductions would cut this down materially. The woman worker with dependents—a condition which holds for many women employees in meat packing—would be correspondingly worse off.

"For a certain proportion of families during the war, in meat packing as in other industries, there has been more than one breadwinner. But for other families, loss of the main or sole breadwinner has worsened the family-income situation, making it more difficult to meet the much higher living costs which especially strike these families in wartime. Irrespective, however, of the net

[4a] Family Expenditures in Six Urban Communities of the West Central Rocky Mountain Region, 1935–36. Bull. 646, Vol. II, U. S. Department of Labor, Bureau of Labor Statistics, in cooperation with Works Progress Administration (1940). Table 1, pp. 103 ff.

"*Recording the difference as $184 rather than $206 was because of discrepancies in family records on receipts and disbursements. Therefore, a "net balance difference" is given; in this instance it is $22 (ibid., table, p. 103, and glossary, p. 279).

effect of various counteracting influences, this is certain: After the war, family incomes will be very largely supplied by one breadwinner. The trend in this direction is increasingly observable in many centers.

"CURRENT FOOD COSTS IN OMAHA

"An indication of what the low-income family is faced with on the basis of present living costs is provided by the food budget, prepared by the Community Welfare Council of Omaha, an agency supported by the Community Chest.[49] The budget is presented both in terms of quantity and in money cost. It is carefully drawn up for men and women, differentiating as to requirements depending on whether the man is 'active,' 'moderatively active,' or 'sedentary' and for the woman depending on whether she is 'active,' 'moderately active,' 'sedentary,' 'pregnant,' or 'nursing.' In addition, varying requirements based on age are specified for children through the age of 12 years and separately for boys and girls above that age.

"On the basis of prices as of February 21, 1945, the council found that a family of four comprised of an active man, a moderately active woman, a girl of 15, and a boy of 12 would need to spend $59.31 per month on food. A suggested program for a family of four for 1 week is given, in quantities and prices, where the husband and wife are both moderately active. For this family, the suggested weekly purchases under the heading of 'Meat, poultry, fish, cheese—8 pounds' demonstrate that economy was a primary consideration in the council's recommendations: 'Liver, 1 pound, 35 cents; chuck, 3 pounds, 28 points, 87 cents; heart, 2 pounds, 40 cents; cheese, 1 pound, 33 cents; codfish, 1 pound, 35 cents'—a total of $2.30 per week for this essential group of foods.

"Currently, a 70 cents an hour packing-house worker, at the generous estimate of take-home pay of $105 per month, on the basis of the Community Welfare Council of Omaha's carefully worked out budget, would be required to spend from $55 to $60 per month for food alone for a family of four. This is more than 50 percent of his monthly income, far above the 30 to 32 percent (in itself high) which is usually assumed for low-income families.

"Every community has special features about the cost of living in relation to particular types of employment or particular groups. Omaha is no exception so far as packinghouse workers are concerned. For example, most of the large number of Negro workers with jobs in the packing plants of South Omaha reside on the north side of Omaha. That means that they must ride streetcars, traversing the city's main business district, for an average of from 5 to 6 miles. Many white workers also take this long trip, the excessively crowded housing situation in South Omaha making this necessary. A large additional proportion of the workers drive automobiles from nearby small towns, up to a distance of 15 miles or more—an expensive form of transportation. A minimum of 5 percent are estimated to reside in Council Bluffs, a location which, in addition to the distance factor, necessitates a 5-cent toll charge for crossing the Missouri River.[50]

"The real cost involved in the time and inconvenience, as well as the money outlay, often entailed by getting to work is frequently overlooked in discussions of living costs. If complete evidence were available it is certain that many situations similar to that at Omaha would be found.

"The South Omaha area itself, where large numbers of packinghouse workers reside, when measured by housing conditions and other familiar criteria, reveals a substandard state of things which has been chronic for a long time and which reflects the substandard income status of a high proportion of the packinghouse workers. The detailed statistics demonstrating this are contained in the study, An Ecological Study of Omaha, by T. Earl Sullinger, professor of sociology at the University of Omaha.[52] The study is based on "geographical units" as employed by the Census Bureau for its enumeration districts in 1930.[53]

[49] Mimeographed material supplied by the Community Welfare Council of Omaha.
[50] It may be noted that streetcar fares are higher in Omaha than in Chicago—a 10-cent cash fare as compared with 8 cents. In Omaha three tokens are sold for 25 cents; but even for those who take advantage of this, the fare is still slightly higher than Chicago's.
[52] Published by the bureau of social research, department of sociology, Municipal University of Omaha, 1938.
[53] Detail for most of South Omaha is set forth in the description of census enumeration districts Nos. 80, 81, pp. 33–34 of Professor Sullinger's study.

"Source: United Packinghouse Workers of America, CIO, Geographical Wage Rate Differentials in the Meat Packing Industry, July 1945, pp. 49–52."

In relation to the general problem before it, undoubtedly the committee will not regard as decisive its opinion on the ability of any particular industry to pay the modest minimum of 65 cents per hour. At the same time, it may be of interest to comment briefly on this factor relative to meat packing.

We have already cited the extremely minor part, 6 to 7 percent, which plant labor makes up of total costs in this industry. And we have given a summery portrayal of the handsome profit record of the industry during the war. This record, with labor costs being so relatively small, could not have been due directly or chiefly to the low wages paid packing-house labor.

But questions may arise about the future. The immediate future is the financial reports for the year ending October 28. Remembering that volue of production is so important in determining profits in this industry, it may be noted that the Department of Agriculture estimates 1945 meat production as only 8 percent below the all-time record of 1944.

Indicative of the present and of the future beyond October 28, a number of clues on the profit outlook are worth citing. Packing companies are paying ceiling and near-ceiling prices for livestock, showing their conviction that a demand situation is in prospect which will be highly profitable. Demand not only comes from meat-hungry Americans but, in addition, from much hungrier populations in Europe who, through UNRRA, loans, or cash on the barrel, are anxious to consume hundreds of millions of pounds of meat. In the face of this demand situation, the packers evidence no worry over curtailed purchases by the Army procurement officers.

Further evidence that the packers are "sitting pretty" is the current active refinancing, facilitated by recent and prospective profit records, and the extensive recent purchases of independent packing company plants by larger companies, particularly in the South, where wages are especially out of line with living costs. Nor is it to be overlooked that, as in other industries, substantial tax refunds are slated for the packing companies; and further, with the Treasury Department's recommendation for the repeal of the excess-profits tax, that great additions are in prospect for stockholders from this source.

As for continued high volume, livestock numbers out on the range and in the feed lots assure slaughter totals far above prewar averages for at least 2 to 3 years.

After that? Much of the answer depends on whether the mass of consumers have sufficiently full employment at sufficiently high income levels to buy meat in the quantity and quality justifying farmers to maintain livestock production. It needs no proof that workers whose earnings are computed on the basis of rates at less than 65—or 70—cents per hour for 38 hours a week (prewar average in meat packing) do not provide the national foundation which will induce farmers to maintain their livestock output.

There may be irony in the circumstance that packing house workers, who help produce the Nation's meat, provide a large-scale example of the impediment to full employment, on the farm and in the factory, which arises when mass purchasing power is too low. How real this is may be made more vivid by again examining the meat item components which are advised for low-income workers by Omaha's Community Welfare Council. (See the quoted statement above, by Omaha's Community Welfare Council. (See the quoted statement above.)

Packing-house workers are far from unique in illustrating this problem en masse. That is the significance of their situation in pointing to the urgent need for the legislation which is proposed in this bill.

Respectfully submitted.

UNITED PACKINGHOUSE WORKERS
OF AMERICA, CIO.,
By LEWIS J. CLARK,
International President.

(Prepared by Research Department, 515 Engineering Bldg., 205 West Wacker Drive, Chicago 6, Ill.)

EXHIBIT 22

BRIEF OF MICHIGAN BEAN SHIPPERS ASSOCIATION, MICHIGAN BEAN PRODUCERS ASSOCIATION, NEW YORK STATE BEAN SHIPPERS ASSOCIATION, AND ROCKY MOUNTAIN BEAN DEALERS ASSOCIATION, IN OPPOSITION TO THE ELIMINATION OF SECTION 13 (a) (10), "AREA OF PRODUCTION" EXEMPTION FROM FAIR LABOR STANDARDS ACT, AS PROPOSED BY SECTION 7 OF S. 1349

This brief is respectfully submitted by courtesy of the permission which the committee extended through Mr. R. B. Bowden, executive vice president of the Grain and Feed Dealers National Association, at the conclusion of his testimony on October 9, 1945.

My name is William P. Smith. I am attorney for the above-named associations, whose members compose the major part of the dry edible bean industry in the United States, both farm cooperative and independent shippers, as well as growers. I also own and operate a 200-acre farm at Eaton Rapids, Mich., located in the heart of the bean-producing area of that State.

In Michigan, with which I am more intimately familiar, approximately one-third of the bean crop is handled by farmer-owned cooperative elevators, acting through their agency, the Michigan Elevator Exchange. The balance is handled by independently owned elevators, the stock of many of these also being owned in whole or in large part by farmer-growers. These elevators, including the cooperatives, handling approximately 98 percent of the Michigan bean crop and totaling in excess of 300, are members of the Michigan Bean Shippers Association. Several thousand of the growers have their own organization, the Michigan Bean Producers Association, which is highly representative of the farmers' interest in this large and important cash crop.

The New York State Bean Shippers Association's members consist of some 100 elevators in that State and handle the processing and marketing of approximately 95 percent of the dry edible beans grown there, where this crop is, likewise, an important part of farming operations, particularly in the western portion of the State.

The same situation is true of the Rocky Mountain Bean Dealers Association, comprised of some 150 members, located in the States of Colorado, New Mexico, Wyoming, Nebraska, Idaho, and Montana, and handling approximately 85 percent of the dry, edible bean crop therein.

The bean industry, as represented by these rowers and elevator operators, is firmly opposed to the elimination of the "area of production" exemption as now, and since its inception, contained in section 13 (a) (10) of the Fair Labor Standards Act of 1938, as is now proposed by section 7 of S. 1349, which is under consideration by your committee.

Under the authority of the congressional directive to define the "area of production," contained in section 13 (a) (10) of the present act, the Wage-Hour Administrator, upon petition of the bean industry, held an extensive hearing in Washington in November 1938. This was the first of such hearings so held, and as the result of 394 pages of testimony by growers, elevator operators, and marketing specialists, the Administrator, on December 22, 1938, promulgated the following definition:

"SECTION 536.2. "AREA OF PRODUCTION" AS USED IN SECTION 13 (a) (10) OF THE FAIR LABOR STANDARDS ACT.—An individual shall be regarded as employed in the "area of production" within the meaning of section 13 (a) (10), in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products.

* * * * * * *

. "(c) With respect to dry edible beans, if he is so engaged in an establishment which is a first concentration point for the processing of such beans into standard comercial grades for marketing in their raw or natural state. As used in this subsection (c), "first concentration point" means a place where such beans are first assembled from nearby farms for such processing but shall not include any establishment normally receiving a portion of the beans assembled from other first concentration points."

We do not believe that it will be denied that the existing regulation, defining the "area of production" as it relates to dry edible beans, has operated and been administered for nearly 7 years in a manner satisfactory to the Wage and Hour Division. It is of importance, also, that its administration has caused very little difficulty insofar as the bean industry itself is concerned. No cases at all involving the question have been taken into the courts by the Administrator, and only one court action has been brought by an employee. In this only controversy to reach the courts, Remington versus Shaw, decided by the United States district Court, western district, Michigan, January 12, 1942, the court fully sustained the Administrator's definition.

In any consideration of this matter, it is of importance to note that dry edible beans are received by the elevator and leave the elevator in their raw or natural state and with their form unchanged. In most parts of the United States, the beans are received in "thresher-run" condition—that is, in the same condition in which they come from the fields—but it is mandatory that the beans be cleaned and processed to the official United States or State grades before they can be entered into distributive channels for distribution for consumption.

For example, the State of Michigan, which has its own bean-grading standards and regulation, expressly provides therein that—

"No dry edible beans of picking stock grade or "no established grade" will be permitted to move between plants within the State of Michigan without inspection, except for the purpose of processing to grade, and shall not be placed into trade channels for consumption until they are processed to meet the requirements of one of the established grades" (Michigan State Department of Agriculture Regulation No. 501, p. 7).

The official United States standards for beans also make it mandatory that—

"Beans shall be graded and designated according to the respective grade requirements of their appropriate class and according to the special grades applicable."

Various factors determine the extent of the bean-producing areas in actual practice. In Bean Culture, by E. V. Hardenburg, of Cornell University, published in 1927 by the MacMillan Co., this is clearly brought out, on page 44, as follows:

"Extent or geography of dry-bean production varies with such factors as rainfall, distribution, temperature, cropping system, and marketing facilities. * * * The factor of light rainfall in the autumn accounts in part for the importance of the industry in western New York, in the 'Thumb' district of Michigan and in the important bean districts of the Middle and Far Western States."

And, this further factor, particularly significant here:

"Owing to the necessity of special labor-saving devices to clean and prepare the crop for market, the prospective grower must first assure himself that such facilities are available to his locality."

There is no question but that after the beans have been threshed they still are not in condition where they can be shipped out of the area of production, nor will they be accepted by the consumer. With any substantial quantity of beans, it is impossible for the farmer to put them into the condition which consumers demand; with any quantity at all, it is both impractical and uneconomical. Hence, since beans became of any importance commercially, it has been the established custom for the elevators to buy the farmers' beans on the basis of the condition in which they will be compelled to place them for the consumer, and to chearge the cost of placing them in this condition to the farmer himself by making a deduction from the price paid to him for the beans in their thresher-run condition. In other words, this is an essential step in preparing the beans for the market, which the farmer cannot, as a practical matter, otherwise reach. As he cannot perform this operation himself, he merely pays others to do it for him.

It was for the foregoing reason, that the Committee on Ways and Means of the United States House of Representatives (Rpt. No. 728, 76th Cong., 1st sess., accompanying H. R. 6635, Social Security Act amendments of 1939) specifically referred to and exempted the cleaning of beans as "agricultural labor" on the ground that "such services are an integral part of farming activities."

In view of this situation, which finds its direct counterpart in the Administrator's definition of "area of production" relating to dry edible beans, it is clear, we submit, that the processing of the beans to the grades required for marketing in their raw or natural state is an essential prerequisite to the farmer's crop having any market at all in the present day and age. No elevator buys the beans for its own use, and could not possibly be considered as the market for which the farmer must, of necessity, prepare his crop. Furthermore, he certainly is not growing the beans for his own use, but for market, and as an integral part of his preparation of the crop for the consumptive market which it is designed to reach, the processing, including hand-picking, grading, drying, etc., must of necessity, both practically and legally, be performed within the actual "area of production."

Under normal conditions, the dry edible bean crop returns to the farmers of the United States an average exceeding $50,000,000 annually. The acreage

planted will range from 1,500,000 to 2,000,000 acres, and on this area from 12,000,000 to 15,000,000 bags of beans are produced each year.

The leading type is the white navy or pea bean, 90 percent produced in Michigan, and most of the remainder in New York State. This type comprises on the average one-third of all beans. The Great Northern bean, a comparative newcomer, is a large white bean competing with the navy bean in the retail grocery trade, and since 1928 has represented on the average 13 percent of the total supply of all edible beans. These are produced in concentrated areas in southern Idaho, south central Montana, northwestern and central Wyoming, and western Nebraska.

Other principal types of beans are the small whites and limas from California, marrows from New York State, pintos from Colorado and New Mexico, pinks from California, small reds from southern Idaho and California, and red kidneys from Michigan and New York State, and cranberries from California and Michigan.

It has always been the settled practice in the bean industry to make a deduction for processing the beans, from the amount paid to the farmer for them. By the very nature of the commodity itself, as well as the manner in which the farmer sells his beans to the elevator, this is absolutely essential.

The reason for this deduction from the farm price is very apparent. As heretofore stated, the beans are delivered by the grower in thresher-run condition and of varying grades. If they were of equal quality, it might be argued that the processing cost could be passed on to the consumer, but with each lot of the beans of a different grade and carrying, as they do, a uniform base price, it is necessary for the grower to take a corresponding deduction to bring the lower grades to that uniform level for marketing. This is an entirely different situation from that involved in production of a manufactured article.

In hand-packing the beans to grade, the same amount per pound deducted from the farmer for this operation is paid to the bean pickers. The elevators historically operate on an exceedingly small margin of profit, and could not survive if they were required to absorb the charge. In the ordinary free market, with the law of supply and demand dictating the price which the consumer will pay, it is equally impossible to pass the charge along to him.

The only alternative, therefore, which removal of the present exemption would bring about, would be to increase further the deduction of the amount paid to the grower. It is not believed that such a solution is the purpose or intention of the Congress. As stated by Congressman Biermann of Iowa, at the time he introduced the amendment which became section 13 (a) (10):

"The amendment I have offered includes only the first processing of things that come off the farm. The important point is that the farmer pays the bill for this processing.

* * * * * * * *

"The Members from the South will agree that the man who raises the cotton pays for ginning the cotton. * * * when the cost of ginning the cotton increases the farmer gets just so much less; and our contention and the contention of the farm organizations is that this bill designed to help labor should not be so worded that it puts another burden on the agriculture of this country." (Congressional Record, May 24, 1938, pp. 9741, 9742.)

Furthermore, the basic intent of Congress in its enactment of the Fair Labor Standards Act was, as shown by its preamble, to eliminate certain "labor conditions detrimental to the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being of workers." Such conditions, it is declared, should be eliminated as they constitute an unfair method of competition, lead to labor disputes, spread such undesirable labor conditions among the workers of the several States, and interfere with the orderly and fair marketing of goods in commerce between the States.

But Congress declares it to be the further policy of the act, to eliminate such undesirable labor conditions without substantially curtailing employment or earning power.

In the first place, the evidence in the hearings before the Wage-Hour Administrator is clear that the conditions which the Congress sought to correct by the enactment of this legislation do not even exist among the bean elevator employees. The record is replete with testimony that many of the bean pickers own their own homes, have put their children through college, work when and as they choose, coming and going at will, that the same individuals work at the elevators year after year and the labor turn-over is negligible, that many of the bean pickers are wives, daughters, and relatives of the farmers living

in the immediate neighborhood, and the amount they earn in many instances supplements rather than constitutes the sole family income, that so-called sweat-shop conditions do not even exist in this industry, that labor employed in the bean elevators is satisfied and labor disputes are practically unknown.

Hence, the very conditions which the act sought to eliminate are not only nonexistent among the employees of bean elevators engaged in the hand-picking of beans, but the evidence is also clear that forcing them to maintain the basis essential for payment of the minimum wages over the maximum period of hours permitted, will force upon such employees the exact conditions which the act endeavors to abolish. And, not only that such will be the case, but that this must of necessity be accompanied by a very substantial curtailment of employment, efficiency, and well-being of such workers.

We, therefore, respectfully urge the committee that it recommend the retention of the "area of production" exemption as it now appears in section 13 (a) (10) of the Fair Labor Standards Act. It is only by this means that recognition can be given to the actualities of processing farm commodities, such as dry edible beans, into the finished farm product required for entry into the consumptive trade channels. The statutory provision is fair, reasonable, and administratively workable, as shown by its successful application for nearly 7 years in the dry edible bean industry, and its elimination would only be detrimental, we firmly believe, to the farmers, elevator operators, and employees alike.

MICHIGAN BEAN SHIPPERS ASSOCIATION,
Saginaw, Mich.,
MICHIGAN BEAN PRODUCERS ASSOCIATION,
Fenton, Mich.,
NEW YORK STATE BEAN SHIPPERS ASSOCIATION,
Lyons, N. Y.,
ROCKY MOUNTAIN BEAN DEALERS ASSOCIATION,
Denver, Colo.

By WILLIAM P. SMITH.

OCTOBER 30, 1945.

EXHIBIT 23

(The following testimony was presented for the record by witnesses of the International Union of Mine, Mill, and Smelter Workers, CIO, who because of the limitations of time were unable to appear before the committee:)

TESTIMONY AND DEPOSITION OF WALTER WHITE, EMPLOYEE OF ROYSTER GUANO CO., MACON, GA.

My name is Walter White. I live in Macon, Ga. I came to Washington, D. C., with a delegation of representative workers from my community to bring to the attention of our Congress the absolute necessity of establishing a minimum wage level which is consistent with our desire to have a decent American standard of living.

First, let me give some examples of wages being earned in my area. I brought with me pay vouchers of several of the companies in my community. From the Royster Guano Co. where I work I have pay vouchers which show take-home pay in six cases for the following amounts: $22.26, $21.48, $18.59, $23.42, $14.16, and $21.48. This is for a full week's work and, in many cases, is even more than 40 hours' work. These amounts represent the earnings of men with families with anywhere from two to seven children. We have just been able to negotiate a new rate in the plant, and the hiring rate is now 55 cents per hour. Out of 62 work classifications 1 person is being paid 72½ cents; 4, 70 cents per hour; 4, 65 cents; 24, 60 cents; and 29, 55 cents per hour. This, of course, includes the lowest, as well as the highest, skilled in the plant.

Again, in the Massey Gin & Machine Co., a foundry in my area, an example of several of the earned take-home pay vouchers shows the following: $22.87, $15.32, $19.95, and two more at $19.95. The common labor rate is 50 cents per hour. The highest skilled men in this plant, moulders, etc., are making only 70 cents to 75 cents per hour because of the low common labor rate. As in the case of Royster Guano, these are earned checks of married men with large families.

Another example—Burns Brick Co., which is located in my area—shows the following five examples of take-home pay: $14.47 for 40 hours; $14.05 for 42 hours;

$19.92 for 44 hours; $17.46 for 42¾ hours; $21.36 for 42½ hours. I have check vouchers with me to prove that the rates on the sample checks which I have just mentioned above show rates running at 33 cents per hour; 34 cents per hour; 42 cents per hour, and 50 cents per hour, which is even below the minimum wage-and-hour law.

Finally, other examples of a plant in my area—Cherokee Brick Co—shows examples of take-home pay in the following amounts: $12.57, $17.62, $16.64, $16 08, and $12.55. The hiring rate in this plant is 45 cents per hour. Even moulders and kiln repairmen, who are considered fairly skilled, are getting only 45 to 50 cents per hour. Again, these are checks of family men with average dependents of from four to five in their families.

This is only one side of the story. Most people say that living costs in the South are much cheaper than in the large industrial areas where wages are higher. I would like to show that my experiences and those of the people who work with me are quite different from what everyone believes to be on the question of living costs where I come from.

In the first place, going to and from work we take the public conveyances, and that means 20 cents per day carfare, which is the same in any large city, and also means $1 or $1.20 per week out of our very small earnings. Our cigarettes, one of our few luxuries, cost us 20 to 22 cents per pack. Here are some of our food items: Round steak in my community is 37 cents per pound. I have just checked in Washington at a large market and the price for double A grade is 40 cents per pound. Here are some of the other prices of our meats: Center cut pork, 39 cents; pork shoulder steak, 35 cents; B grade beef loin boneless, 44 cents; bone end steak, 35 cents; round steak, 37 cents; T-bone, 44 cents. These prices are not very much cheaper than what is being paid anywhere else for these meats.

Our grade A eggs (large) are 67 cents, the same as ceiling prices here in the East. Our medium eggs are 61 cents; our small, 51 cents—exactly the same as the prices here. Our butter costs us 51 cents per pound. Creamery butter advertised in the paper I read in Washington is only 49 cents per pound. Our margarine is 23 to 27 cents; here in the East it is 25 cents. Table-dressed chicken costs us 62 cents per pound in Macon. The markets here in Washington are advertising the same quality chickens for 41 cents per pound. Milk is 14 cents a quart, the same as in the East.

Perhaps you will ask how we can buy these items with the wages we make. We can't!

Clothing is higher than even in the large industrial areas. Work shirts for which we paid 98 cents before the war are now $1.98. Dress shirts for which we paid $1.50 are now $2.75. Our shoes run 30 percent higher. We used to be able to get men's shorts for 25 cents; now the cheapest we can get them is $1. The same is true of clothes for our women and children.

Decent housing—whenever we can get it—is just as bad. There are some Government housing projects, and if you are lucky enough to get into them, you have a decent place to live. But if you earn about $100 per month the rent still costs you $30 per month. A good many of us are forced to live in alley shacks and other similar places where the rent for a three-room place that is dilapidated is $10 per month. When it rains you have to move out. In addition, we have to pay for water and electricity, if you are fortunate enough to have it. Otherwise we do all our cooking and heating with coal and wood stoves, and this boosts our rent.

This shows a comparison between what we make and what it would cost us to be able to live decently. Actually we can't. We are forced to take our children out of school to put them to work and also to put our wives to work so that we may be able to keep our families together. Many of our sons have willingly and ably fought in this war to protect our country. We feel that we are entitled to be able to live like every American family wants to live—in a good home with electricity and heat, good food, and decent clothing. We want to impress upon Congress the need for establishing at least a 65-cent-per-hour minimum wage that will at least help us a little along the road toward securing just that.

No. 15 Joe Stafford

Number _____
Name _____

Below is statement of your time with deductions, week ending:

Sept. 19, 1945

Time	$23.40
Old-age pensions	.23
Unemployment insurance, income tax	.30
Other deductions	22.87
Balance cash enclosed	------

Massey Gin & Machine Works
Macon, Ga.

No. 41 Obie Norwood

Number _____
Name _____

Below is statement of your time with deductions, week ending:

Sept. 26, 1945

Time	$16.69
Old-age pensions	.17
Unemployment insurance, income tax	1.20
Other deductions	15.32
Balance cash enclosed	------

Massey Gin & Machine Works
Macon, Ga.

No. 142.
Name: Minnie Turner.

Amount		$16.64
Social security	$0.17	
Victory tax (withholding tax)	.20	
Doctor		
Drug store		
Bonds		
Total deductions		.37
Balance		16.27

Cherokee Brick Company
Macon, Ga.

No. 858.
Employee name: J. W. Jones.
Social security No. 255-09-1139.
For week ending:

Sept. 21, 1945		$22.50
Deductions:		
Federal old-age benefit tax	$0.23	
State unemployment insurance	.30	
Total deducted		.53
Net wages due and enclosed		21.97

Please retain this envelope as it is your notice of the amount paid to you as required of us under the social security law.

The Southern Cotton Oil Company
Federal Identification No. 72 0322130

No. 98.
Name: John Cenrry, Jr.
Weeking ending Sept. 28, 1945.
P. R. No. 39.

Week's earnings		$18.98
Deductions:		
Current tax payment	$0.20	
State unemployment tax	----	
Old-age benefit tax	.19	
Net amount due employee		18.59

To employee: The above statement of wages due you for the indicated period shows the amount deducted for old-age benefit insurance required by Federal Social Security Act. This envelope should be retained by you as a record of your employment under provisions of the Act.

F. S. Royster Guano Co.

No. 109.
Name: Hattie M. Hopkins.
Week ending Sept. 28, 1945.
P. R. No. 39.

Week's earnings		$14.40
Deductions:		
Current tax payment	$0.10	
State unemployment tax	----	
Old-age benefit tax	.14	
Net amount due employee		14.16

To employee: The above statement of wages due you for the indicated period shows the amount deducted for old-age benefit insurance required by Federal Social Security Act. This envelope should be retained by you as a record of your employment under provisions of the Act.

F. S. Royster Guano Co.

BURNS BRICK Co., Macon, Ga.

Week ending January 22, 1942. No. 9956

Pay to Jas. Proctor, Fourteen and 47/100 ---------- $14.47

Earnings					Other deductions				Net amount
Rate	No. hours reg. time	No. hours overtime	Bonus	Total	Fed. O. A. B.	Coal	Advance	Misc.	
$0.34 .51	40	2		$14.62	$0.15				$14.47

BURNS BRICK Co. (Salary account).

By ----------

Employee's receipt.

BURNS BRICK Co., Macon, Ga.

Week ending September 27, 1945. No. 25760

Pay to Dolphus Finney Thirteen and 88/100 ---------- $13.88

Earnings					Other deductions				Net amount
Rate	No. hours reg. time	No. hours overtime	Bonus	Total	Fed. O. A. B.	Coal	Advance	Misc.	
$0.50	34½			$17.25	$0.17 .20		C $3.00		$13.88

BURNS BRICK Co. (Salary account).

By ----------

Employee's receipt.

BURNS BRICK Co., Macon, Ga.

Week ending March 15, 1945. No. 23331

Pay to Clinton Parks, Eleven and 22/100 ---------- $11.22

Earnings					Other deductions				Net amount
Rate	No. hours reg. time	No. hours overtime	Bonus	Total	Fed. O. A. B.	Coal	Advance	Misc.	
$0.50 .75	40	4		$23.00	$0.23 2.70		C$3.00 c 5.00	M$0.85	$11.22

BURNS BRICK Co. (Salary account).

By ----------

Employee's receipt.

BURNS BRICK Co., Macon, Ga.

Week ending September 20, 1945. No. 25636

Pay to Louis Simmons, Fifteen and 46/100 ---------- $15.46

Earnings					Other deductions				Net amount
Rate	No. hours reg. time	No. hours overtime	Bonus	Total	Fed. O. A. B.	Coal	Advance	Misc.	
$0.50 .75	40	2½		$21.88	$0.22 .30		C$4.00	M$1.90	$15.46

BURNS BRICK Co. (Salary account).

By ----------

Employee's receipt.

Name: Addie Lyons.
Period ended Sept. 6, 1945.
No. 50.

Total earned	$13.10
Deductions:	
Social security ---- $0.13	
Income tax ---- ----	
Total deductions ---- ----	
Net pay	12.97

Important: Keep this envelope as your statement of earnings and deductions.

COTTON STATES FERTILIZER Co.
MACON, GA.

Name: Mary Searcy.
Period ended Sept. 6, 1945.
No. 333.

Total earned	$13.10
Deductions:	
Social security ---- $0.13	
Income tax ---- ----	
Total deductions ---- ----	
Net pay	12.97

Important: Keep this envelope as your statement of earnings and deductions.

COTTON STATES FERTILIZER Co.
MACON, GA.

Southern Cotton Oil Co., Macon, Ga.
List of jobs and rate of pay to operate mill

	Rate (cents)
Seed feeder	45
Sand screen room	45
Saw filer	47½
Head linterman	47½
Saw changer	45
Sweeper	45
Lint press men	45
Engine oiler	45
Mill oiler	45
Cake former	47½
Cake charger	45
Cake puller	45
Cake stripper	45
Floor boy	45
Cake mill	45
Hull packer	45
Coal roller	45
Fireman	50
Superintendent helper	55
Roustabout	45
Truck driver	50

TESTIMONY OF JERRY SCALF, EMPLOYEE OF AMERICAN ZINC CO. OF TENNESSEE, MASCOT, TENN., AND MEMBER OF LOCAL 188, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS, CIO

My home is in Mascot, Tenn. I work for the American Zinc Co. at its zinc mine in Mascot. There are about 650 men employed at this mine. More than half of these men make 67 cents an hour or less; 87 of them make 58 cents.

I am submitting recent pay slips for John H. Hart, William L. Davis, and Roy E. McMurtry, showing that over a course of several weeks every cent of wages was deducted by the company for groceries, rent, medical fees, and taxes. These pay slips are typical for the majority of the employees of this company.

Pay for week ending April 7, 1945.
Date paid, Apr. 15, 1945.
Name: Roy E. McMurtry.
Foreman: ————. Page 44. Line 17.

Earned:	
7 Extra for overtime ----	$2.14
47 At 61 ----	28.67
	30.81
Deductions:	
F. O. A. B. tax ----	.31
Fed. inc. vic. tax ----	.50
Union dues ----	----
War bonds ----	----

Deductions—Continued.

Rent ----	$8.15
Medical fee ----	1.00
Insurance ----	2.00
Accts. rec ----	----
Doctor ----	----
Store orders ----	17.05
Milk ----	1.80
Total deductions ----	30.81
Balance due ----	----

Received payment in full ----------
Witness ----------

AMERICAN ZINC CO. OF TENNESSEE

Pay for week ending Sept. 22, 1945.
Date paid, Sept. 28, 1945.
Name: William L. Davis.
Foreman: ———. Page 40. Line 16.

Earned:	
8 Extra for overtime	$2.64
48 Hours at 66	31.68
	34.32
Deductions:	
F. O. A. B. tax	.34
Fed. inc. vic. tax	.60
War bonds	-----
Rent	-----
Medical fee	-----
Insurance	-----
Accts. rec	-----
Doctor	2.00
Store orders	29.58
Milk	1.80
Total deductions	34.42
Balance due	-----
Received payment in full	
Witness	

AMERICAN ZINC CO. OF TENNESSEE

Pay for week ending Sept. 29, 1945.
Date paid, October 5, 1945.
Name: John H. Hart.
Foreman: ———. Page 42. Line 12.

Earned:	
Extra for overtime	-----
40 Hours at 61	$24.40
	24.40
Deductions:	
F. O. A. B. tax	.24
Fed. inc. vic. tax	.40
Union dues	-----
War bonds	.75
Rent	-----
Medical fee	-----
Insurance	-----
Accts. rec	-----
Doctor	-----
Store orders	23.01
Milk	-----
Total deductions	24.40
Balance due	-----
Received payment in full	
Witness	

AMERICAN ZINC CO. OF TENNESSEE

TESTIMONY OF J. T. DABBS, FINANCIAL SECRETARY, HATTIESBURG CHEMICAL WORKERS UNION, LOCAL 592, IUMM AND SW-CIO, HATTIESBURG, MISS.

I work for the Hercules Powder Co. in Hattiesburg, Miss. The plant in which I work employs about 400 workers. I am receiving the highest rate of pay in the plant, with the exception of the manager and supervisor. I work on a average of 56 hours a week, including 2 hours on Sundays. My wage rate is $1 an hour. About 85 men in the plant receive this rate. More than 300 men in the plant receive wages of from 55 cents to 81 cents an hour. The majority of these receive 55 to 66 cents an hour. All are now working on a 48-hour week, but it is understood that within the very near future the hours will be cut to 40 a week for everyone.

My income, which includes $40 a month from outside the plant, amounts to about $300 a month. I have a wife and three children, two of school age and one 17 months. I am buying a 6-room house, for which I am paying $6,000. The following shows what it costs us for minimum requirements for 1 month:

For groceries	$75.00
For payment on the house (this house could not be rented for less than $50 a month)	33.00
For electricity	4.50
For gas to provide heat and cooking	4.50
For water	2.00
For insurance on property	4.00
For property tax	4.00
For life insurance	6.00
Income tax	25.00
Union dues	1.50
For necessary clothing	15.00
For transportation to and from plant	30.00
For movies for family once each week	5.00
For doctor's care and drugs	10.00
For household furnishings, etc	5.00
For house repairs (labor not included)	5.00
Total operating expenses for 1 month	261.50

The total of $261.50 is what is required for a family of five to live moderately well in Hattiesburg under present conditions. We are expecting the company to cut out all overtime work by the first of the year. This will cut my income to about $200 a month providing I can still maintain the extra income of $40 a month. Under such circumstances I will not be able to continue paying for the house, or replace my car or any of the household equipment. I have not been able since moving into the house I am buying to save anything out of my income.

Most of the workers in our plant earn between 55 and 66 cents per hour. They and their families live in two- and three-room shacks, for which they pay $15 to $20 a month rent. These houses are located in the least desirable part of town near the plants where there are no improved streets or sidewalks. The houses are unpainted both inside and out. Very few have electric lights. All of them are lacking in indoor plumbing. There usually is an outdoor faucet from which several families get their water. These houses are not piped with gas, and therefore the people have to cook and heat with wood. At the present time wood costs them $32 a cord. At this rate, wood is more expensive than gas for cooking and heating. Of course, they must pay just as much for food as I do. The only explanation as to how these workers in our plant live who make an hourly wage of 55 to 66 cents is that their wives go out and work, they keep their children out of school, and they go without many necessities. Because of the scarcity of labor during the war, many of them found odd jobs after their day's work in the plant, thus supplementing their income by working two shifts in 1 day.

To illustrate that the prices we must pay for the necessities of life in Hattiesburg are just as high or higher than they are in places where wage rates are much higher, I want to point out that a one-room apartment which used to rent for $10 a month before the war now costs $35. A good furnished apartment rents for $65. As for groceries, they are just as high in Hattiesburg as in Washington. I have done the marketing for my family for the past few years so I am familiar with food prices. We used to buy corn meal before the war for 2½ cents a pound, now we pay 6½ cents a pound. Turnip greens which were 5 cents a bunch before the war are now 10 cents for a much smaller bunch. Green peas could be bought for 5 cents a pound before the war; now they are at least 25 cents a pound. Canned milk which used to be 39 cents for a half-gallon is now 19 cents a pint. Oranges are 14 cents a pound; apples are 12½ cents a pound.

Clothing is more than twice as high as before the war. Work shirts that sold for $1 before the war are now $2.50. The same is true for work gloves and socks. The lower-priced goods are not available in the stores. Baby clothes are three times as high as before the war. Felt baby shoes that used to cost 98 cents are now $1.95.

The men in our plant who are working for 55 to 66 cents an hour, 48 hours a week, must maintain their families under intolerable living conditions. It is inconceivable how they would be able to exist under present conditions when the hours per week are cut to 40. To raise the minimum wage to 65 cents an hour by the proposed amendments to the wages-and-hours law would help, although it is not possible under present conditions to support a family decently in Hattiesburg on 65 cents an hour.

EXHIBIT 24

STATEMENT OF WILLARD SAXBY TOWNSEND, PRESIDENT UNITED TRANSPORT SERVICE EMPLOYEES OF AMERICA (CONGRESS OF INDUSTRIAL ORGANIZATIONS)

I am appearing here as president of United Transport Service Employees of America, a labor organization affiliated with the Congress of Industrial Organizations. Our organization has 10,000 members and holds jurisdiction over red caps, station porters, dining-car employees. Our members are employed in all of the fields over which we have jurisdiction, working for railroads, bus companies, and air lines. We have been certified by the National Mediation Board as bargaining agency for employees on 47 railroads and air lines. We hold a total of 40 signed collective bargaining contracts.

I have come here today to place our organization on record emphatically in favor of the bill. We repeat and endorse the arguments which have been made to you by the witnesses who have appeared before this distinguished committee.

INTENTIONAL SECOND EXPOSURE

Pay for week ending Sept. 22, 1945.
Date paid, Sept. 28, 1945.
Name: William L. Davis.
Foreman: ---------- Page 40. Line 16.

Earned:	
8 Extra for overtime	$2.64
48 Hours at 66	31.68
	34.32
Deductions:	
F. O. A. B. tax	.34
Fed. inc. vic. tax	.60
War bonds	-----
Rent	-----
Medical fee	-----
Insurance	-----
Accts. rec	-----
Doctor	2.00
Store orders	29.58
Milk	1.80
Total deductions	34.42
Balance due	-----

Received payment in full----------
Witness ----------

AMERICAN ZINC CO. OF TENNESSEE

Pay for week ending Sept. 29, 1945.
Date paid, October 5, 1945.
Name: John H. Hart.
Foreman: ---------- Page 42. Line 12.

Earned:	
Extra for overtime	-----
40 Hours at 61	$24.40
	24.40
Deductions:	
F. O. A. B. tax	.24
Fed. inc. vic. tax	.40
Union dues	-----
War bonds	.75
Rent	-----
Medical fee	-----
Insurance	-----
Accts. rec	-----
Doctor	-----
Store orders	23.01
Milk	-----
Total deductions	24.40
Balance due	-----

Received payment in full----------
Witness ----------

AMERICAN ZINC CO. OF TENNESSEE

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My income, which includes $40 a month from outside the plant, amounts to about $300 a month. I have a wife and three children, two of school age and one 17 months. I am buying a 6-room house, for which I am paying $6,000. The following shows what it costs us for minimum requirements for 1 month:

For groceries	$75.00
For payment on the house (this house could not be rented for less than $50 a month)	33.00
For electricity	4.50
For gas to provide heat and cooking	4.50
For water	2.00
For insurance on property	4.00
For property tax	4.00
For life insurance	6.00
Income tax	25.00
Union dues	1.50
For necessary clothing	15.00
For transportation to and from plant	30.00
For movies for family once each week	5.00
For doctor's care and drugs	10.00
For household furnishings, etc	5.00
For house repairs (labor not included)	5.00
Total operating expenses for 1 month	261.50

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To illustrate that the prices we must pay for the necessities of life in Hattiesburg are just as high or higher than they are in places where wage rates are much higher, I want to point out that a one-room apartment which used to rent for $10 a month before the war now costs $35. A good furnished apartment rents for $65. As for groceries, they are just as high in Hattiesburg as in Washington. I have done the marketing for my family for the past few years so I am familiar with food prices. We used to buy corn meal before the war for 2½ cents a pound, now we pay 6½ cents a pound. Turnip greens which were 5 cents a bunch before the war are now 10 cents for a much smaller bunch. Green peas could be bought for 5 cents a pound before the war; now they are at least 25 cents a pound. Canned milk which used to be 39 cents for a half-gallon is now 19 cents a pint. Oranges are 14 cents a pound; apples are 12½ cents a pound.

Clothing is more than twice as high as before the war. Work shirts that sold for $1 before the war are now $2.50. The same is true for work gloves and socks. The lower-priced goods are not available in the stores. Baby clothes are three times as high as before the war. Felt baby shoes that used to cost 98 cents are now $1.95.

The men in our plant who are working for 55 to 66 cents an hour, 48 hours a week, must maintain their families under intolerable living conditions. It is inconceivable how they would be able to exist under present conditions when the hours per week are cut to 40. To raise the minimum wage to 65 cents an hour by the proposed amendments to the wages-and-hours law would help, although it is not possible under present conditions to support a family decently in Hattiesburg on 65 cents an hour.

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STATEMENT OF WILLARD SAXBY TOWNSEND, PRESIDENT UNITED TRANSPORT SERVICE EMPLOYEES OF AMERICA (CONGRESS OF INDUSTRIAL ORGANIZATIONS)

I am appearing here as president of United Transport Service Employees of America, a labor organization affiliated with the Congress of Industrial Organizations. Our organization has 10,000 members and holds jurisdiction over red caps, station porters, dining-car employees. Our members are employed in all of the fields over which we have jurisdiction, working for railroads, bus companies, and air lines. We have been certified by the National Mediation Board as bargaining agency for employees on 47 railroads and air lines. We hold a total of 40 signed collective bargaining contracts.

I have come here today to place our organization on record emphatically in favor of the bill. We repeat and endorse the arguments which have been made to you by the witnesses who have appeared before this distinguished committee.

We would indeed be presumptuous if we attempted to add to the able statements made to you by Secretary of Labor Schwellenbach, Commissioner Hinrichs, President Philip Murray, of the Congress of Industrial Organizations, and the other qualified and competent witnesses who have given the committee valuable evidence and statements in support of the bill. Our organization is directly interested in the bill because a substantial number of the employees in the crafts which we represent are paid wages lower than 65 cents per hour. Red caps generally receive 57 cents per hour less deductions for uniforms. Dining-car waiters generally receive 57 cents per hour less deductions for board and lodging. In the mangle departments, pullman laundry workers receive only 57 cents per hour. These wages should immediately be increased to a minimum of 65 cents per hour for all the reasons which have been capably given to you by preceding witnesses.

In addition to endorsing the whole bill, we desire to point out the necessity of strengthening the bill in several respects so as to close the loopholes which many employers use and would continue to use to avoid payment of the minimum wage established by Congress. The establishment of a minimum wage is not completed by the mere enactment of a statute prescribing a minimum. The devices and loopholes which many employers use to evade any established minimum must be outlawed so that a fixed minimum wage will be a minimum wage in actual practice. We have two amendments to suggest.

First, we ask that the committee amend the bill so as to provide that tips shall not constitute wages, whether or not reported or accounted for in any manner by the employee. The members of the committee will recall the Fair Labor Standards Act of 1938 requires the employer to "pay to each of his employees * * * wages" at the minimum rate. Nevertheless the Supreme Court in *Williams* v. *Jacksonville Terminal Company* (315 U. S. 386), expressly ruled that this clear enactment of Congress did not prevent employer from avoiding payment of minimum wages by the fiction of a tip-reporting system. Under that system the employee theoretically "accounts" to the employer for tips received and the employer theoretically refunds the tips to the employee without ever touching them. The vice of such an arrangement is evident. Under threat of discharge and unemployment, the employer requires the employee to file inflated reports showing not less than the legal minimum wage. Once those tips are reported, the employer's obligation is legally discharged with the approval of the Supreme Court of the United States. Yet the employer has paid nothing and the employee starves. Three of the Supreme Court Justices said that the plan contains an element of deceit and "does not accord with the meaning of the language used by Congress." They were outvoted by five other Justices. Relief is now urgently required from Congress.

I am not stating to you a theoretical objection conceived in the mind of an ivory-towered philosopher. I would like to tell you briefly the actual experience of our organization with such a tip reporting system.

In 1938 this Congress, which included several of the distinguished members of this subcommittee, enacted the Fair Labor Standards Act, unambiguously fixing a minimum wage of 25 cents per hour. Many of our red caps were not receiving 25 cents an hour in tips. The railroads were faced with the legal obligation of paying the red-cap employees 25 cents per hour. In order to avoid the congressional obligation, the railroads, acting through their domestic cartel, the Association of American Railroads, devised an ingenious scheme. Just before the effective date of the new law they served a written notice on all red caps, telling them that henceforth red caps must report their tips and that the railroads would be pleased to pay them the difference between tips reported and the statutory minimum wage. Taking the railroad's statement seriously, some red caps honestly reported the tips that they were receiving. All over the United States stationmasters and superintendents called the red caps together and informed them that unless they reported tips equal to the legal minimum wage, the red caps would be laid off. In 1938 there were 10,000,000 unemployed. The threat of unemployment hung even more heavily over the red cap who was a Negro. When the railroads cracked their whip, the individual red caps had to choose between walking the streets and reporting the minimum as ordered by the railroads, even though not received. The railroads did not mince words. One supervisor said, "You are supposed to sign $2 (for an 8-hour day) on the slip right away or you will not have a job." In another station a red cap asked the stationmaster, "What if we don't make that much?" The stationmaster answered, "You are supposed to put down the 25 cents per hour." Red caps were laid off for truthfully reporting and then reinstated on their promise to inflate reports. If we had time, I could give you a hundred examples. Many of them are collected in the Transcript of Record in the Supreme Court in the case of *Townsend* v. *New York Central*, October term, 1944, Case No. 171.

Obviously Congress never intended to allow the railroads to avoid the clear meaning of the Fair Labor Standards Act. Nevertheless, when the agreement came before the Supreme Court, Justice Reed said that the tip-reporting system simply represented an efficient method of complying with the mandate of Congress. Three of the Justices dissented vigorously.

For the time being the railroads have changed their method of payment. Paying wages of 57 cents per hour to red caps, the railroads are charging the traveling public 10 cents for each bag handled. We believe, however, that this is a temporary wartime situation, put into effect and kept in effect by the great increase in railroad travel which commenced in 1940. The air lines today do not charge the public anything for baggage handled by red caps. With a likely increase in air travel tomorrow, the railroads will undoubtedly be forced by competition to eliminate their 10-cent charge. When they do, they will push the red caps back to the tip-reporting system and will again be able to evade paying minimum wages unless Congress amends this bill. Since we are subject to such a great danger at any time, we earnestly ask that this committee not only approve the bill in its present form but strengthen it by outlawing tip reports or tip accounts in payment of the statutory minimum wage. This protection is needed by all employees in interstate commerce, since the employees in the tipping trades are traditionally among those least well able to bargain effectively.

For our second amendment, we ask that the committee amend the bill so as to prevent another favorite device used by employers to evade payment of the minimum wage. We refer to deductions made for uniforms, for meals, and for lodging furnished by the employer for the employer's convenience in order to make possible the performance of the employee's duties. In all such cases the employee would rather live in his own dwelling place, wear clothes of his own selection and eat meals of his own choosing or of his own family's cooking. However, the conditions of work imposed by the employer require the employee to use the uniform, the meals, and the lodging furnished by the employer. Since these items are furnished by the employer for the employer's own benefit, they should not be charged to the employee. Particularly the employer should not be allowed to deduct the cost of such items as a method of avoiding payment of the statutory minimum wage.

Our members who are dining-car employees are subjected to wage deductions for board and lodging even when they do not receive any board or lodging. May I give you an actual example from our experience? Some dining-car waiters live in Chicago and have homes there. Arbitrarily one railroad creates the fiction that their home terminal for purposes of wage deductions shall be Des Moines, Iowa. Thus when these men are in Des Moines, Iowa, and actually have to pay for their lodging, the railroad furnishes them no lodging facilities because, fictionally, they are at home. Yet when these men are in Chicago, where they live at home, the railroad makes a deduction from their wages for lodging facilities theoretically furnished to them at Chicago, where actually they live at home. Thirty-six men are defrauded in this manner.

On the same railroad in the Middle West we have eight members who are club-car men and whose wages are trimmed for board and lodging. Nevertheless, no provision whatsoever is made for them to eat. The trains on which they ride do not even carry any dining cars.

The entire program of establishing a minimum wage is likely to be destroyed if railroads and other employers are allowed to make deductions for lodging which is furnished primarily for the employer's convenience. On one of our western railroads 200 out of the 550 men in the dining-car service are required to sleep in the dining car itself while they are en route. As if this were not sufficient inconvenience, the railroad in addition charges these men for sleeping in the dining car and deducts the amount from their pay checks. Incidentally, on this same road the deductions apply only to the dining-car waiters and to the cooks, who receive 57 cents an hour. No deductions are made from the pay of cooks receiving more than 57 cents an hour. We point this out to you merely to show that the railroads are particularly interested in avoiding payment of the minimum wage and to show that the outlawing of such deduction devices is essential to the successful operation of a minimum-wage program.

On one of the Atlantic seaboard railroads the railroad furnishes lodging at the terminal, but the quarters are so unsanitary that the men are unable to use them and are required to sleep in the dining car. Nevertheless, a lodging

deduction is made from the employee's minimum wage. On this same railroad all of the extra crews handling military trains are required to sleep in the dining cars.

On one of the southern railroads, out of 17 circuits covered by the dining-car crews, 8 circuits make no sleeping provisions except in the dining cars. In those 8 cases likewise the railroad reduces the minimum wage by an amount fictionally designed as a deduction for lodging.

Surely it is no privilege for a worker to sleep in a dining car or in a bunk car or in a bunk in a baggage car or in the lodgings away from home furnished at railroad terminals. The employees sleep there because they are required to do so in order to perform their work. To protect the minimum-wage structure it is essential that the railroads be prohibited from making fictional deductions for lodging.

The same is true of uniforms. Again the railroads require the employees to wear uniforms and to purchase them at designated places according to designated specifications. The purpose of the uniforms is to satisfy the railroad's desire for the appearance, convenience, and orderliness of the terminal. Although there is no objection raised to the uniform, there is no reason why the employee should pay for the employer's overhead. Here again fictional deductions for uniforms are used by the railroads to avoid payment of the minimum wage.

The same is true of meals. Before 1938 the railroads made no charges for meals served to dining-car employees. There should properly be no charge because actually the overhead operation of the dining cars necessarily includes sufficient food provide meals for the employees. After the railroads became obligated to pay a minimum wage they then conceived the notion of avoiding their legal obligation by setting up a fictitious charge for meals. In order to do this they averaged the meals served to all persons and put the employees' meals on a virtually equivalent financial basis with the meals of passengers. We now have the spectacle of railroads deducting substantial sums for employees' meals in order to avoid payment of the minimum wage.

We would like to call to the subcommittee's attention another violation of the minimum wage requirement which also calls for preventive legislative action. There are many railroad employees who are required to be on call and available for duty. Nevertheless, their wages are eliminated during these hours even though as a practical matter they are actually called during most of these hours. Sleeping-car porters, for example, are allowed hours during which they may rest. This rest is necessary for the adequate performance of their work for the carrier. Although during these hours they are available for call, their wages are eliminated. Thus the sleeping-car porter on the run from New York to Chicago or Washington pays almost as much for his berth as the passenger.

In presenting our testimony before you, I have stressed the plight of railroad workers because I know their situation best and our experience is widest in the transportation field. I do not wish to be misconstrued, because the problems of the railroad worker are not essentially different from the problems of all other workers. When aided by unemployment or pressed by a selfish desire to cut costs, any employer is likely to put into effect a system of deductions. Similarly the devices used to cut wages of railroad employees who receive tips can be used with an equally devastating effect to cut the wages of all employees in the tipping trade. Our research department's studies reveal that there are a million or more employees in tipping occupations in the United States. Although not all of these employees are engaged in work affecting interstate commerce, many of them are. Thus the problems which I have illustrated by my experience in the transportation field are actually problems of general concern. Both justice to the worker and the social validity of minimum wages require not only that Congress pass the bill pending before it but also that the bill be strengthened to eliminate the weaknesses which I have described.

EXHIBIT 25

STATEMENT OF THE NATIONAL CANNERS ASSOCIATION ON S. 1349 BEFORE A SUBCOMMITTEE OF THE SENATE COMMITTEE ON EDUCATION AND LABOR

The National Canners Association is a voluntary trade association, the membership of which includes more than a thousand canners of vegetables, fruit, and fish, with canneries located in 44 States and in the Territories of Alaska, Hawaii,

and Puerto Rico. The membership of the association produces approximately 90 percent of the entire pack of canned vegetables, canned fruits, and canned fish. Many of the industry's products are undoubtedly familiar to the committee, as for example the major vegetables, canned peas, beans, corn, tomatoes, and tomato products, such as tomato juice. Many of the fruit products will also be familiar, such as canned peaches, pears, cherries, fruit cocktail, and many other fruits and berries. Canners of these products draw their raw material from thousands of farms, located in 44 States, and dependent in large measure for their cash return upon the producing of these canning crops.

During the 7 years since the enactment of the Fair Labor Standards Act, the canning industry has been subjected to detailed regulation under it. By this time, the industry has become familiar with the act and with the impact of Nationwide minimum wage and maximum hour controls upon its operations. On the basis of this experience, the association offers the following comments concerning the amendments proposed by S. 1349.

The attention of the committee is directed at the outset to several undisputed facts. During the hearings on S. 1349, no one challenged—the Administrator, labor representatives, and spokesmen for industry—that the principle of a maximum workweek and penalty overtime cannot be applied to the seasonal operation of processing vegetables, fruit, or fish. The imposition of penalty overtime, it is recognized, cannot result in spreading work or in more people being employed. It will mean only competitive dislocations.

Moreover, it is recognized that penalty overtime should not be applied where necessary hours of work are not within the employer's control but dependent, as in all agricultural operations, upon rainfall, temperature, and other climatic conditions controllable neither by the canner nor by administrative regulation.

It is also undisputed that the relationship between the growing and harvesting of these crops (or the catching of the fish), and their immediate processing makes for virtual identity of farm and cannery labor. Hours of work in neither are controllable by farmer or processor. Wage rates and particularly penalty overtime in one necessarily affects the other. And it serves no purpose so to regulate processing as to prevent growing and harvesting or to cause spoilage and loss because crops cannot be competitively processed.

With these principles accepted, the issues presented to the committee with respect to the exemptions from rigid maximum hours in any workweek, come down to questions of method and detail. In the operation of the law to date, as will be shown below, much has been done both administratively and by interpretative development to work out the problem. Competitive readjustments have to a great extent been achieved. But the burden is on those sponsoring this legislation to prove why further changes should be made, why the existing exemption provisions should be amended so as to destroy their effect, and why the growers and processors in this part of the agricultural marketing industry, facing the most difficult period of readjustment, should be competitively dislocated, region against region and State against State. In the hearings to date, this showing has not been made.

There has been a great deal of general talk about the desirability in manufacturing industries, operating the year round under controllable conditions, of a rigidly limited maximum workweek achieved by the requirement of penalty overtime for work beyond the specified maximum. None of this discussion is admittedly applicable to the processing of seasonal agricultural commodities or fish. There has been extended discussion of desirable minimum wage levels in manufacturing industries. Once again, the bulk of this discussion was not directed, nor intended to apply, to processing industries whose labor supply, wage levels, and hours of work are inseparable from those prevailing in agriculture, where it is again recognized neither the existing law nor the proposed amendments are intended to be applicable. In these circumstances, there appears to be little to add to the material before the committee. Nevertheless, it seems desirable to call to the committee's attention the position of the industry with respect to the principal provisions of S. 1349.

SUMMARY OF THE PROPOSED AMENDMENTS

Insofar as the canning industry is concerned, S. 1349 would amend the Fair Labor Standards Act in several important respects.

First, it would increase the minimum wage immediately to 65 cents per hour and, after 2 years, to 75 cents per hour.

Second, it would permit the establishment of job classifications and minimum wages for those classifications above the level of "unskilled labor." The 65 to 75 cent minimum wage would therefore be a minimum for unskilled labor only, and higher minima would be fixed for other jobs.

Third, it would completely eliminate some existing exemptions from certain requirements of the act and would greatly curtail other exemptions.

Fourth, it would provide a uniform statute of limitations of 5 years within which employee actions against an employer would have to be brought.

THE PROPOSED INCREASED MINIMUM WAGE

The problem of determining the minimum wage level to be applicable throughout the 48 States and each of the Territories transcends the position of any one industry however large or important in the food supply. Yet several basic economic questions now confronting the canning industry and the farmers whose crops it takes, may have bearing on this point. During the war years production of the principal canned fruits and vegetables has greatly expanded to take care of military requirements which averaged 50 to 60 percent of the total wartime packs. Grower prices were raised by Government program. Yet the consumer price of the major vegetables did not reflect these increases which were in great part subsidized and in part absorbed by the industry.

Whether wartime volume can still be packed and sold is problematical. In all likelihood, volume will contract. Subsidies are not expected to continue without end. Grower prices present extremely difficult problems in view of governmental guaranties on basic and other competing crops. The imposition of higher minimum wage levels, which will have uneven application to various regions, will undoubtedly intensify reconversion problems in this industry. What may happen cannot be foretold; what direct or indirect effect may follow on grower prices, on consumer prices, or on the ability of many parts of the industry to survive cannot be forecast. What is certain is that something must give, and that the greater the change in minimum wage, the more intense will be the dislocation to processors and growers in wide areas.

THE OVERTIME PROVISIONS

By and large, the practical effect of the regulations under the existing wage-and-hour law has been to afford to the canning industry an exemption from the penalty overtime requirements only for 28 weeks in any 1 year. This overtime exemption breaks down into two parts. The first part relieves a canner engaged in "the first processing of any perishable or seasonal fresh fruits or vegetables" from the requirement to pay overtime during 14 weeks in any year. This is the exemption granted by section 7 (c) of the act.

The second part of the 28 week exemption stems from the Wage and Hour Administrator's finding on August 24, 1940 that the canning industry is a seasonal industry. Section 7 (b) (3) of the act provides that a seasonal industry found to be such by the Administrator is not required to pay overtime to its employees during any 14 weeks in a calendar year for hours of work less than 12 hours in 1 day or less than 56 hours in 1 week. Overtime must be paid for hours in excess of these limits. This is the so-called limited hours exemption.

S. 1349 proposes to eliminate completely the unlimited overtime exemption of section 7 (c) and relegate the canning industry solely to a 14 week limited overtime exemption existing at administrative discretion. Administrator Walling admitted to this committee that the canning industry requires "overtime tolerances" of more than 14 weeks. He suggested that the committee further amend section 7 (b) (3) in some undefined way to grant more unchecked administrative discretion with respect to overtime. He offered no cogent reason for eliminating section 7 (c), which Congress enacted to insure that seasonal agricultural processing not be subjected to administrative whim in this important respect.

The canning industry strongly opposes any change in any of the overtime provisions affecting this industry and urges that the original reasons for, and experience under, these provisions require their retention. The basis for this position will be made clearer by a brief description of the canning industry's operations. (A detailed description of the canning industry has been previously presented to Congress. See hearings before House Committee on Labor on S. 158 and H. R. 4557, 73d Cong., 1st sess., pp. 34, 51, 432, 445.)

As already noted, the canning industry is essentially a part of agriculture affording an essential means for marketing cash crops. Its sole function is to take what is harvested when ripe and prepare and process it so that it can be

kept, transported, and used until the next season. Economically the canning industry is characterized by a large number of competing canners packing the same fruits and vegetables in widely separated States. There is no concentration of control in a few large companies. It is basically a toughly competitive, individualized industry, characterized by small rather than large concerns. For more than 20 years the number of active organizations in the fruit and vegetable portions of the industry has ranged from 2,000 to 2,200 enterprises. The lack of concentrated control is shown by the fact that no single company packed more than 9 percent of the total pack of any one fruit or vegetable. This is borne out by the Temporary National Economic Committee study in 1937 which showed that the canning industry has far less concentration of control than other major industries.

Many factors of course have led to this. One of them is the ease of entry into business. For example, citrus fruit juices were a new product in 1939, put out by one canner in Florida. By 1939 about 200 canners in Florida, Texas, California, and Arizona were engaged in producing citrus juices—and the price had gone down from 98 cents in 1932 to 63 cents in 1939 for a dozen No. 2 cans.

The small size of the enterprise and the wide dispersion of the industry is no accident. It exists for the same reasons which led Congress to afford the maximum hour exemptions here concerned. For as in all other agricultural operations, the plant is located near the harvest field and its operation (or non-operation) is utterly dependent upon nature and not man or governmental regulation.

In a highly competitive canning industry, the ordinary considerations inducing location of a plant close to the raw material supply are magnified. Moreover, it simply is impractical to locate the processing plant at any important distance from the source of supply. The harvesting glut of each seasonal product and rapid spoilage of the raw product militate against distant plant locations. When a crop is ready for harvest, it must be harvested or spoil. When harvested, it must be processed or spoil. Spoilage is economically bad both for the farmer and the canner. This means, therefore, first that the plants are located in the raw material producing area, and, second, that the processing plant must run day and night at the peak of the harvest season to prevent spoilage.

An excellent example of this is the canning of peas. Peas mature very rapidly and even continue to change and mature after being removed from the vine. Thus the canner studies the pea crop closely for the desired point of growth giving the best flavor and texture. Tenderness of the pea importantly affects the farmer's price. When this point is reached the canner attempts to get the peas from the vine into the sealed can in the shortest possible time. Some canners attempt to complete the canning process within 3 hours after the pea is removed from the vine in the harvest field.

In short, the harvest period is one beyond the control of man. It is controlled entirely by varying degrees of weather throughout the growing and harvest season—rain, heat, frost, and so on. When the crop is mature it must be canned before deterioration sets in. Otherwise the farmer loses economically, since prices for the raw as well as canned food are reduced by excess maturity and poor quality and very often complete loss of the raw product. But this irregular flow beyond human control means that a rigid hours limitation designed to "spread work" simply is impracticable. Administrator Walling in his statement to this committee concurred in this view when he said:

"For a number of the industries in question the need for overtime work is apparent. The industries subject to severe pressure of seasonal activity in the moving and processing of a crop fall in this category. In the canning of perishable fresh fruits and vegetables, for example, the entire available labor supply in the areas in which the establishments are located is frequently utilized during seasonal operations. At such times employees often must work considerably more than 40 hours in order to prevent the spoilage of food. If the purpose of section 7 is to spread employment through penalizing overtime work, I wonder whether it would be appropriate to apply the penalty under such circumstances. I doubt that the objective of the act to spread employment would be achieved since it would hardly be feasible for workers to move to other centers for a few weeks of work except in some rare instances where such seasonal work might tie in with other kinds of activities at other times of the year."

Despite this recognition that the exigencies of fruit and vegetable canning require exemption from the "spread work" basis for overtime requirements,

there have been assertions before this committee that in some way the proposed curtailment will facilitate the "spread work" and "economic betterment" ideas underlying the proposed amendments. Such a conclusion is unfounded. Indeed, this curtailment more likely would lead to uneconomic disruptions of the industry.

Under the operation of the present exemptions, all canners have an exemption available of 28 weeks to meet their individual seasonal canning demands. The individual canner is left to select on the basis of local growing conditions when to take the exemption. Such individual flexibility is essential because of the great variations both as to the length of the harvest season and the number of items canned.

The harvest season varies, for different products and areas, from a month to three months. Moreover, the typical canner strives to process at least two different crops. Many can more. It is, therefore, not at all unusual that the total seasonal canning operations of a particular canner will extend over many months. He must, consequently, use the exemption when the harvest glut comes for each product and then work the necesasry hours at different times during the whole canning season. This flexibility is permitted under the present exemptions. At the same time, no canner receives any competitive advantage, because all are limited by the same maximum of 28 weeks.

The proposal that section 7 (c) be eliminated and section 7 (d) (3) be broadened in some unstated manner would wholly destroy this uniformity. The Administrator would under this suggestion be able to fix, without any review of any kind, different overtime exemptions, for the same or different crop for different States, regions, and areas. Since the canned food price is fixed by national competition, such untrammeled discretion would set up new differentials having wholly unforeseen results. Even the best conceived differential, imposed by external Government regulation rather than supply and demand, inevitably leads to economic competitive inequalities, and consequently disruptions not found under the present overtime provisions are inevitable.

These differentials would be magnified by any substantial increase in the minimum wage. At the proposed rate of 75 cents an hours, the total overtime and minimum payment would be $1.07 an hour. This is a substantial difference which would be necessarily reflected in increased prices in direct proportion to the different overtime limitations which might be fixed under the new proposal. The canning industry, due to inherent uncertainities of weather and related factors, is one of sporadic profits with a majority of organizations financially small in comparison to other industries. The magnified differentials could well serve to cripple or even wipe out an important portion of the industry in a bad year.

The original reasons for requiring these overtime provisions still exist, as indicated by Mr. Walling. This fact is further emphasized by the action of the Secretary of Labor in exempting the canning industry from the overtime requirements of Executive Order 9240 requiring the payment of double time for work on the seventh day of each workweek. This was granted for canned fruits and vegetables on August 25, 1943, and for west coast canned fish on June 7, 1943.

There is not any question of "spreading work" or "broadening" the minimum wage coverage in the canning industry. In a seasonal rush, it is to the canner's and farmer's advantage to use all available labor. Long hours at those times result only from the fact that there is essential work for the available labor. An overtime penalty will not change this fact.

The same basic considerations discussed for fruits and vegetables apply to canned fish. The criteria which impelled the origianl agricultural exemption apply today with force to support the fishery exemption. Uncontrollable seasonal peaks at the time of fish runs when fish are caught, the undoubted need for flexible opportunity to prevent spoilage by immediate canning, and the economic desirability of uniform treatment of fish canners to prevent uneconomic disruptions make highly important retention of section 13 (a) (5) in its present form.

UNIFORM STATUTE OF LIMITATIONS

The association strongly supports a uniform period within which employees may sue an employer for unpaid overtime.

Under the present act, the limitation period is left to be fixed by State law. These State periods range from 6 months to 6 years or more. The resulting uncertainty is emphasized by the retroactive effect of changed interpretations made either by the Administrator or court decision.

The basic unfairness of a retroactive ruling is, of course, plain. As a practical matter, most industries, including the canning industry, live under the act as interpreted by the Administrator rather than taking each questionable point to court. But these interpretations can be and have been reversed by both the Administrator and the courts. Any change necessarily has retroactive effect because it is an interpretation of the law in force at all times since 1938. The reasons for the changes are immaterial in an employee action. Thus, an employer who has been in good faith abiding by the current interpretations can, without any fault on his part, find himself suddenly faced with liabiilty for unpaid overtime plus the penalty of an extra amount equal to the unpaid overtime. This heavy burden is, of course, greatly aggravated when long limitation periods permit piling up liabilities for as long as 6 or more years. Such a liability could bankrupt an industry. Certainly it is an uncalled-for risk.

One year is ample time for an employee to ascertain his rights and bring an action. And it is a period which would prevent an undue accumulation of employer liabilities. Certainly employers as well as employees are entitled to some measure of stability.

To meet these difficulties (which have been detailed in hearings during this Congress on H. R. 2788 before a subcommittee of the House Judiciary Committee), it is recommended that the uniform limitation period be 1 year, rather than the proposed 5 years. In addition, to prevent any charge of unconstitutionality, it is recommended that all pending employee claims not barred under applicable State limitation statutes must be filed in court within 6 months after enactment of the amendment. Thus the suggested amendment would not have any retroactive effect to cut off claims which already may have accrued.

Respectfully submitted.

NATIONAL CANNERS ASSOCIATION.

EXHIBIT 26

IN RE S. 1349, SEVENTY-NINTH CONGRESS, FIRST SESSION

To the Senate of the United States and its Committees and Subcommittees on Education and Labor considering S. 1349, Seventy-ninth Congress, first session.

The petition of J. Dewey Singleton, in his capacity of vice president of and acting for the Louisiana Syrup Association, respectfully represents that:

1. The Louisiana Syrup Association is a nontrading or nonprofit corporation organized under the laws of Louisiana, domiciled in the city of Lafayette, La. Its members are persons actually engaged in the production of sugarcane and persons actually engaged in the processing or manufacturing of sugarcane into sirup.

2. The membership of the association comprises and represents a great majority of the entire production of pure cane table or country sirup in Louisiana.

3. By resolution of the board of directors of the association petitioner, J. Dewey Singleton, in his capacity of vice president of and on behalf of the association, was authorized and directed to and does hereby file this petition protesting against the adoption and enactment of the proposed Senate bill 1349 insofar as pure cane sirup is concerned for the reasons hereinafter stated.

4. Sirup manufacturers are already forced to compete with a subsidized industry and cannot stand additional burdens, for the following reasons:

(*a*) *Cane sirup is not governed by the Sugar Act*

When the so-called Sugar Act was adopted it was decided that cane sirup should be exempted from its provisions and consequently not entitled to the benefits accorded to sugar. Under the terms of the act and regulations, farmers growing and selling cane for processing into sugar receive benefit and incentive payments from the Government; but no such payments are paid by the Government to farmers growing and selling cane for processing into sirup. In order to compete with raw-sugar factories the sirup mills must match these payments. For example, the benefit and incentive payments disbursed by the Government to growers of cane processed into sugar is $2.82 per ton; and consequently, the sirup mills must pay to growers of cane processed into sirup the same amount paid by sugar factories, plus $2.82. In other words, sugarcane grown for sugar is subsidized but sugarcane grown for sirup is not.

(*b*) *The proposed legislation, as customarily applied to cane sirup, would increase existing wages 90 percent*

The sirup industry under the ruling of the Administrator and in fact is of a seasonal nature. The season extends over a period of about 60 days, and, of course, the mills must run 24 hours per day. The custom is to work two 12-hour shifts, 7 days per week, or 84 hours per week. Under the present wage-and-hour law and regulations, as applied to cane sirup, the flat rate of pay is 40 cents per hour with no provision for overtime. The present average weekly pay is therefore $33.60. The proposed amendment, as applied to cane sirup, would fix the rate of pay at 65 cents per hour for the first 56 hours and 97½ cents per hour for the next 28 hours of the sirup mill employee's workweek. The average weekly pay under the proposed amendment would therefore be $63.70. In other words, the new legislation would increase the average weekly pay of a sirup mill employee from $33.60 to $63.70, or 90 percent.

(*c*) *The result would be an unbalanced economy*

Suppose it be argued that during the war sirup manufacturers received a good price and that they will probably receive a good price for their product during the coming season; what is nevertheless the result?

During the war their employees received and they now receive an average weekly wage of $33.60. The war is over. Now one of three things must of necessity happen:

The price will remain exactly and permanently stationary.
The price will go up.
The price will come down.

The first proposition may be eliminated as an economic impossibility as markets, left alone, must and do fluctuate.

The second proposition is possibly a consummation devoutly to be wished. Unfortunately, however, it does not seem to be in the cards, unless there is some fancy pump-priming or subsidizing somewhere down the line. Now if Congress can devise a scheme to bring about high prices to meet the proposed higher wages, but without inflation, no industry could seriously complain. But the proposed amendment does not contemplate any such program. The sirup industry, of course, is not advocating the appropriation of money or the creation of a subsidy in order to meet the proposed increase in wages, but it brings out the point in order to demonstrate that the proposed legislation is only a half measure. On the one hand, it would almost double the wages of the employee, but on the other hand it offers no assurance to the employer that he will be able to meet the pay roll.

If the market is left to the law of supply and demand, unshackled but unaided, one is forced to the conclusion that war prices will not hold. Soonor or later and probably sooner the price of sirup will drop. In the face of this proposition, however, the new legislation for the future would guarantee to the employee almost double the amount he received during the war and the high-price period.

5. The proposed amendment to the wage-and-hour law, as applied to the sirup industry, would discriminate against the vast majority of workers similarly situated for the following reasons:

(*a*) *The sirup industry is incidental to farming*

It is a fact that practically every sirup mill operator in Louisiana owns a farm and grows sugarcane. It is also true that such sirup mill owners grind sugarcane produced on their own farms. Numerous mills, of course, also grind outside cane, along with their own. It is believed, however, that the bulk of the table or country sirup produced in Louisiana is made from cane produced on the farms of the sirup-mill operators. In other words, the very general run of things is that sirup production is incidental to farm operations.

(*b*) *Sirup-mill labor is farm labor*

In connection with sugar production in Louisiana most raw-sugar factories are built around and are operated on plantations growing sugarcane as their primary crop. There are in Louisiana, however, only about 64 raw-sugar factories.

In the southern portion of the so-called Louisiana sugar section, possibly one-half of a farmer's land is devoted to sugarcane production, and the other half to the production of other crops. In the northern portion of the sugar section of the State, possibly one-third of the average farmer's land is devoted to the production of sugarcane and the balance to the production of other crops. In other words, the average farmer does not by any means produce only sugarcane. He produces cotton, sweetpotatoes, Irish potatoes, cabbage, corn, snap beans, peppers, and other crops, depending upon his locality and the available market for his produce. We frequently find, in the sugar section, and especially in the northern portion thereof, farmers not growing any sugarcane, but devoting their entire land to other crops.

Louisiana is an agricultural State and the sirup mills are located in the rural sections thereof. The fact is that the sirup mill labor is drawn from the farms around the mill. In the case of your petitioner, J. Dewey Singleton, for instance, every employee in his sirup mill, except the engineer, is or has been a farmer. It is believed that 90 percent of the workers used in the sirup mills throughout Louisiana are farmers drawn from the surrounding vicinity.

(*c*) *Only about 1 out of 15 farmers in the vicinity of a sirup mill is lucky enough to get a job in the mill*

As above pointed out, the sirup mills in Louisiana are located in the rural sections of the State. The rural sirup mill is surrounded by very numerous small farmers, growing varied crops. During grinding some of the farmers are engaged in planting and harvesting their own cane, others in harvesting corn, cotton, hay, harvesting, grading, packing and shipping sweepotatoes, and still others in making general repairs about the farm, etc. Besides, there is not enough work in the sirup mill to employ all the farmers even if they were not otherwise engaged. The result is that only approximately 1 out of 15 farmers around a sirup mill gets a job in the mill during grinding.

(*d*) *The proposed amendment would allow to farmers working in sirup mills an average of 76 cents per hour as compared to an average of 30 cents per hour earned by farmers engaged in general sugarcane farming operations*

Under the regulations of the Department of Agriculture, field labor is not entitled to an increased or graduated rate of pay for overtime work. The flat rates per hour for the various classes of sugarcane field workers established by the Department of Agriculture are as follows:

	Cents
Farm labor cutting cane	31⅔
Farm labor loading cane	38⅓
Other cane harvesting operations	26⅔
Farm cultivation labor other than tractor drivers and teamsters	25½
Tractor drivers	32⅔

It is seen that the average rate of pay per hour for sugar-farming operations as set by the Department of Agriculture is approximately 30 cents. In order to fix and establish the general rates of pay the Department of Agriculture must find and did find that the foregoing rates are "fair and equitable."

Now, as previously indicated, the proposed amendment, as applied to cane sirup, would fix the rate of pay at 65 cents per hour for the first 56 hours and 97½ cents per hour for the next 28 hours of the sirup-mill employee's workweek. The average is thus 76 cents per hour.

The small percentage of favored employees, while receiving more than double the wages earned by the others, would also be favored with a more attractive type of labor. It is certainly more agreeable to work in a sirup mill, under a roof and rather pleasant surroundings, than to work in the fields in inclement and sometimes freezing weather.

Wherefore, petitioner, J. Dewey Singleton, in his capacity as vice president of and acting for the Louisiana Syrup Association, respectfully prays that the proposed amendment to the wage-and-hour law, as applied to pure cane sirup, as set forth in Senate bill 1349, be rejected and that the present provisions of the act and the regulations thereunder be retained. And he prays for general and equitable relief.

THE LOUISIANA SYRUP ASSOCIATION,
J. DEWEY SINGLETON, *Vice President.*

STATE OF LOUISIANA,
Parish of St. Martin, ss:

J. Dewey Singleton, being duly sworn, according to law, deposes and says:

That in his capacity of vice president of and acting for and on behalf of the Louisiana Syrup Association, he is petitioner in the above and foregoing petition; that he has read the same and that all the facts therein contained are, in his opinion and to the best of his knowledge and belief, true and correct.

J. DEWEY SINGLETON.

Sworn to and subscribed before me this 16th day of October 1945.

E. E. WILLIS, *Notary Public.*

EXHIBIT 27

STATEMENT OF DR. WILLIAM M. LEISERSON

I have been a vice president and member of the board of the Consumers' League of Ohio for 15 years. The National League is filing a statement in general support of bill S. 1349 and H. R. 3914, but I have been asked to testify particularly on a question raised before this committee by an officer of the Western Union Telegraph Co. with respect to messengers employed by the company.

I happens that in 1938 I was the hearing officer appointed by the first Administrator of the Fair Labor Standards Act to conduct a public hearing and make findings and recommendations with respect to a request submitted to the Administrator for permission to employ messengers at wage rates less than the minimum wages specified in the act. In the course of my duties as hearing officer I became familiar with the messenger problem under the act, and I should like to address myself specifically to that problem.

The present law provides that the Administrator is authorized to permit the employment of "messengers employed exclusively in delivering letters and messages" at such wages lower than the general minimum as he might prescribe. The representative of the Western Union Co. proposed to the committee that this provision be amended "to the effect that the increase in the minimum wage now under consideration shall not apply to messengers under 18 years of age employed principally in the pick-up and delivery of telegrams and letters."

You will note that the word "principally" is substituted for the word "exclusively," and that the increase in the minimum wage proposed by S. 1349 and H. R. 3914 is not to apply to the messengers.

When the original Fair Labor Standards Act went into effect in 1938 the company argued that it could not afford to pay the minimum rate of 25 cents an hour as required at that time. The Administrator held, however, that he was not authorized to exempt the company from this provision of the act, and since that time it has been paying the wages specified by the act. Nevertheless, the company has not been losing money and its predictions of financial losses have not materialized. On the contrary, the company has done pretty well financially.

But aside from financial considerations there is the more important question of treating all employers alike who are engaged in the messenger business. So far as messenger service is concerned, the Western Union has competitors who are required to pay the minimum rates provided by the present Fair Labor Standards Act and who will be required to grant any increases that may be authorized by Congress if it adopts the proposed bill.

At the hearing in 1938 two companies, Service Messenger Co., Inc., of New York, and Advertising Distributors of America, who compete with Western Union in the business of messenger service, requested that they be heard in opposition to the telegraph's petition for exemption. They appeared and presented evidence showing that the telegraph companies were using their messengers with lower rates of pay to compete unfairly with other business concerns engaged in messenger service. Because of the lower wages the telegraph companies were paying their messengers, they were able to underbid and take away business from these competing companies.

Briefs filed by Advertising Distributors of America and by the Trade Association of Advertising Distributors stated that "approximately 2,000 companies are engaged in distributing advertising circulars and samples and employ approximately 85,000 employees, and that the telegraph companies insofar as they distribute circulars and samples compete directly with these companies." The Administrator in refusing to exempt the telegraph companies from the wage provisions of the act observed that Congress may well have been aware of facts of this character, and the authority to exempt messengers may have been deliberately limited to those "exclusively" engaged in delivering letters and messages for this reason.[1] If section 14 of the act, which authorizes exemptions under certain circumstances, had used the word "principally" instead of "exclusively," it would have permitted this unfair competition, and apparently Congress wanted to provide equal protection of the law to all competitors.

[1] Opinion and Decision of the Administrator, January 14, 1939, in the Matter of Applications of Western Union Telegraph Company et al.

At the hearing in 1938 an official of the Western Union Co. testified that in addition to delivering letters and messages, the telegraph messengers engaged in the following work:

Carrying sample cases for salesmen, delivering packages and envelopes, exercising pet animals.
Shopping for patrons.
Paying bills for patrons.
Making bank deposits for patrons.
Delivering mail-order gifts services.
Watching parked automobiles.
Paging in hotel lobbies and railroad stations.
Waiting in line to purchase theater tickets.
Delivering orchids to ladies.
Taking care of office.
Sweeping offices.
Performing clerical duties in emergencies.
Soliciting business for the company.
Collecting bills for the company.
Picking up files at offices for delivery to main office.

This makes plain that messenger service is an industry, trade, or business as defined by section 3 (h) of the Fair Labor Standards Act, and is not confined to delivering telegrams or other messages for the telegraph companies. There are hundreds of small businesses engaged in package delivery services and errand services of various kinds, and there are thousands of advertising delivery services. Western Union uses its messengers to engage in the same business, and it hardly seems fair to set a lower minimum wage for this company, while the other companies have to pay a higher rate.

In this connection, it is important to note that RCA Communications, Inc., appeared at the hearing and by its attorney there stated that this company had not asked for permission to employ messengers at rates lower than the minimum wage fixed by the act. Western Union at that time also stated that they did not desire exemption for messengers delivering radio communications. Just why delivery of ordinary telegrams should pay less than delivery of radio messages is hard to understand, and Western Union's proposed amendment would authorize exemption of radio messengers from the new minimum wage to be set by S. 1349 and H. R. 3914.

According to reports submitted by the large telegraph and cable companies to the Federal Communications Commission for the year 1941, about 70 percent of all the accidents resulting in injuries occurred among the telegraph messengers, although messengers formed only 36 percent of the total employees. If we bear in mind that the messengers deliver not only telegrams or letters, but have to carry packages and perform other services which require them to be out in the busy traffic of the streets, the importance of the accident hazards becomes plain. Normally, hazardous occupations pay higher wages. Here your committee is asked to amend the bill so lower wages can be paid.

There is a good deal of romancing about the opportunities that telegraph messengers have for business contacts which enable them to achieve great careers in various lines of endeavor. The fact is that the hazardous work accompanied by substandard wages paid prior to the adoption of the Fair Labor Standards Act caused an abnormally high rate of labor turn-over in messenger service. Boys worked a week or two or a month or two, and then quit. The record of the 1938 hearings shows that Western Union had to hire about 40,000 messengers a year in order to maintain a force of approximately 15,000. Personnel managers regard such a high rate of turn-over as "a symptom of some underlying maladjustment." Sometimes they refer to it as "a strike by erosion." But a Western Union official testified: "We consider a large turn-over a healthy condition" for the reason "That after a messenger has served in that capacity for several months, he ought to pass on into other and more permanent work."

Temporary, casual labor also commonly commands a higher hourly wage than more permanent employment, because the worker cannot look forward to a future career in the business where he happens to be for a short period. But here again the request is that a lower minimum wage be authorized this time because there is no future in the work. Of course, among the thousands and thousands who have worked for a short period as messengers, there were bound to be a fair proportion who became great men in later life. But it would seem from the testimony before this committee that Western Union assumes that they might not have become great men if they had received adequate

hourly rates of pay for their temporary work as messengers. There are, of course, a good many opportunities for advancement for messengers in the company's own large organization. Perhaps if the messengers were paid standard wages, fairly competitive with other businesses that engage in messenger service, the abnormal turn-over would be reduced, and a larger proportion of the promising ones who are capable of achieving great careers might stay on to make their careers with the company.

Western Union is clearly a business engaged in interstate commerce. No one questions that now. It is subject to the Federal Communications Act. It sells messenger services in competition with other businesses, even if it does not ship goods in commerce. There seems to be no justifiable reason why the Fair Labor Standards Act should not be made applicable to all its employees, regardless of age, the same as it is to other communications industries, and industries that ship goods in interstate commerce. But particularly because it competes with other companies in the messenger business in cities throughout the country, the special privilege of paying lower wages than those provided by the Fair Labor Standards Act should not be granted to this company.

The National Consumers' League desires to impress on the committee the need for examining carefully the whole problem of the competitive status of the messenger business in order that it may not be misled into hasty action on the assumption that all that is involved in the Western Union amendment is the question of permitting boys to deliver telegrams and letters.

EXHIBIT 28

STATEMENT BY NATIONAL CONSUMERS' LEAGUE IN SUPPORT OF S. 1349, SUBMITTED TO SENATE COMMITTEE ON EDUCATION AND LABOR BY ELIZABETH S. MAGEE, OCTOBER 28, 1945

The National Consumers' League is on record in support of S. 1349, to amend the Fair Labor Standards Act. The National Consumers' League is a 45-year-old organization, with members in every State of the Union and from all walks of life. The league was founded on the idea that consumers have a stake in the conditions back of what they buy and a responsibility to use their organized power to improve these conditions. The sweat-shop flourished when we were organized, child labor was common among the families of the poor. The league appealed to consumers to use their buying power to promote fair-labor standards. But labels and white lists of employers who voluntarily agreed to maintain decent standards proved inadequate. Legal standards became necessary. We turned our attention to working for laws setting minimum wages, maximum hours, and controlling child labor.

We had a hand in the passage of most of the minimum wage laws which are now in force in 26 States and participated in the legal defense of these laws when their constitutionality was challenged in the courts. We worked actively for the passage of the Fair Labor Standards Act. We want to see it improved now by raising the minimum wage rate, widening the coverage, and strengthening the child-labor provisions.

We know that wages don't come out of a hat. They come out of increased production. But let us remember, they do not come automatically. It takes either legislation or trade union organization and sometimes both to set a floor to wage payments. It is well to remember also that wages are a contributing factor in increased producivity. It has frequently been the experience under State minimum wage laws that the necessity of paying a higher wage was the first thing which compelled real efficiency in certain lines of business.

In this statement we comment on two aspects of the bill which have had less consideration in the hearings than the increase in the minimum wage: first, coverage; and second, control of child labor.

INCREASED COVERAGE

When the act was adopted in 1938, many exemptions were included. There now seems no reason why coverage should not be substantially widened within the limits of congressional power. It is only fair that the floor for wages which protects certain groups of workers should be extended as widely as possible. We would like to call attention particularly to the number of exemptions which the present act includes for canning workers and those employed on first processing of food and agricultural products. There are three type of exemptions:

(1) Complete exemption from minimum wages and overtime (sec. 13 (a)). Workers in fish canneries employing about 50,000 people have no protection under the law. "Area of production" canneries are entirely exempt. This has caused great confusion in administration. The bill would remove these exemptions.

(2) The exemption from overtime rates throughout the year (sec. 7 (c)). The workers affected by this exemption are those engaged in cotton ginning in cotton compressing, in cottonseed oil mills, and first processing of sugarcane and sugar beets, and the manufacture of butter and cheese. The bill would remove these exemptions.

(3) Exemption from overtime for specific periods. There are two overtime exemptions in the law. One in section 7 (c) denies to canners and packing shed workers any overtime payment for 14 weeks in the year. The second exemption in 7 (b) (3) provides 14 more weeks during which seasonal industries need not pay overtime until after 12 hours a day and 56 hours a week. The result is that canneries have found it possible to work for 28 weeks in the year without overtime pay. This bill would remove the 14-week exemption in 7 (c), but it would not remove the 14-week seasonal exemption.

Government studies of the canning industry all show very wide divergence in wages paid, indicating a wide divergence in degree of efficiency. The best managed canneries are able to pay high wages and overtime and still compete with low-wage units. The average hourly earnings in canneries even during the war years were 25 cents less than the average for all manufacturing. When the need for canned food was such a vital part of the war effort there was a serious manpower shortage due in large part to the low-wage policy of the industry. Many appeals went from canners to the War Labor Board asking permission to increase wages. In some communities it was necessary to use prisoners of war. An Ohio canner testified in the legislature that he had even resorted to getting people from the local jail.

We believe that both exemptions for overtime should be removed. Work during the peak season is exhausting. Many workers have periods of unemployment or slack hours when the peak is over and are entitled to extra remuneration for the long hours employed. Increasing the minimum rate and removing the exemptions, as proposed in this bill, are long overdue as a needed improvement in this business.

CHILD LABOR

The bill proposes to amend section 12 of the Fair Labor Standards Act by adding a new paragraph (b), which contains a direct prohibition against the employment of children in any establishment engaged in commerce or in the production of goods for commerce. It would also bring within the coverage of the present child-labor provisions of the act establishments engaged in commerce but which may not be producing goods or shipping them in commerce.

At the time the act was passed there was some uncertainty as to the constitutionality of Federal child-labor regulation, with the result that the control of child labor was provided in a somewhat roundabout way; namely, through the provision that no producers, manufacturers, or dealers should ship any goods in commerce from an establishment within which oppressive child labor had been employed 30 days prior to the removal of goods from the establishment (sec. 12).

There are instances on record where the minimum wage standards of the act have been violated by firms, simply by the device of holding the goods for more than 30 days before shipment. In such cases the Government is powerless to enforce the child-labor provisions of the act. There are instances on record also where young people have been employed at logging and lumber operations and have had no opportunity to attend school for an entire year. In these cases the Government has been without authority to enforce the child-labor provisions of the act because the logs were not shipped for several months after they were prepared. The direct prohibition of oppressive child labor contained in this new section will strengthen the machinery of enforcement since it will be necessary only to prove that the establishment is subject to the child-labor provisions and that the children are employed contrary to the standards set by the act. The time which has elapsed between the production and shipment of goods will have no bearing on the violation.

The extension of the child-labor coverage to establishments engaged in interstate commerce will bring the child-labor provisions of the act in line with the

minimum wage and overtime provisions. The chief occupations which will be included will be telephone and telegraph companies, railroads and boats engaged in interstate commerce. Line construction and maintenance for both telephone and telegraph companies is heavy and hazardous work. Telegraph messenger work has a high accident incidence. Employment of children on track maintenance and construction and in repair and other jobs in connection with the operation of railroads is undesirable and unfitted for minors under 16 years of age. During the war employment of children as young as 14 and 15 years on boats has been reported by school authorities. These youngsters often secured their jobs and shipped on boats without going through the procedure of obtaining an employment certificate, as would have been the case in connection with other employment. But because the employment on boats did not come within the jurisdiction of State laws these children were not protected by either Federal or State regulations.

For these reasons we strongly urge the inclusion of the additional paragraph to section 12 of the act.

EXHIBIT 29

STATEMENT OF THE SOCIAL ACTION DEPARTMENT OF THE NATIONAL CATHOLIC WELFARE CONFERENCE IN BEHALF OF S. 1349, THE AMENDMENT OF THE WAGES-HOURS ACT

The social action department of the National Catholic Welfare Conference wishes to record itself in favor of the proposed amendment to the wages-hours law. The social action department is that section of the National Catholic Welfare Conference, the Catholic bishops' organization of the United States, which especially deals with this subject.

The department is the more anxious to speak in favor of the amendment because a guide of its work is the famous Bishops' Program of Social Reconstruction, which over 27 years ago asked for family living-wage laws that would begin with requiring only enough for present normal maintenance but would gradually require enough for protection during sickness, accidents, invalidity, and old age. This amendment is a step toward those standards.

That program also stated that employees have a right to a living wage before an employer has the moral right to take interest on his investment. That is how seriously we consider the living wage.

The present 40 cents an hour of the law, paid for a full 40 hours of steady work during all 52 weeks of the year with no holidays, no vacations, and no lay-offs, provides only $16 a week and $800 a year. These amounts are wholly inadequate and where so when the law was passed.

Neither, for that matter, is the 65-cent minimum proposed by the present amendment a family living wage, nor is the 75 cents, which will be mandatory in the third year after the amendment passes and which can be introduced before then, industry by industry, on recommendation of advisory industry boards.

Seventy-five cents an hour for 40 hours is $30 a week. The approximately 50 weeks of a full year's work reaches only $1,500; and with taxes and social-security deductions it is much less. Hardly anyone would say that the full $1,500 is enough to meet even a small family's present needs. Yet prudence dictates the gradual approach to the legal enforcement of the living wage and asks us to be content with a 65- to 75-cent legal minimum now.

The 65-cent rate works out at some $1,300, Five cents an hour more or less means another $100 a year—at full-time work—less or more.

We wish to point out that the amendment does not establish at any of its figures a minimum family living wage. They move toward it, however, and that is so much to the good. We are in favor of the amendment.

Certain further comments on the bill seem in order:

(1) The principle of governmental protection of wages is already accepted in law and in American public opinion. No argument needs to be advanced on this matter.

(2) The jump from a 40-cent minimum in the law to a 65-cent minimum is a jump in law but not in fact. Very few who are covered by the law will get any increase under the amendment. Those who will get an increase will get very little. The amendment may, however, protect many persons from oppressive wage cuts to far below a decent living.

(3) The differentials between the wages of those covered by the Federal law and those not covered will be widened by this law. This is a serious situation. But the Federal Government is not empowered to protect the wage rates of all the people and apparently does not wish to protect all whom it might protect. The plain answer is to go as far as Congress will consent to go within its powers and to work for like State legislation to protect those whom the Federal Government cannot or will not protect. That the Federal and State governments, in combination, do not protect all is no argument against the Federal Government's protecting some; it is instead an argument in favor of both protecting all, in combination.

(4) The laws, Federal and State, are not supposed to give full wage justice. They should instead direct themselves toward a minimum living wage and then leave to collective agreements decisions on improvements. Therefore, it is not a valid argument against this amendment to complain that it does not establish the full standard of living which Americans should have. The Government should not try to do everything; that way is the way to totalitarianism.

(5) The system of industry boards, which the amendment retains, possesses the great qualities of bringing labor, business, the public, and Government closer together, of making the law more flexible, and of adjusting wage rates to the conditions of particular industries.

(6) If a few industries have to increase their prices to meet these wage rates, that is a small thing to pay for the promotion of wholesale justice. If certain individual firms within particular industries cannot meet such wage rates, that is simply proof that labor and the community are subsidizing their inefficiency. There is something radically wrong with an industry or a firm that cannot support its people. It should be overhauled by its employers and labor. If needed, they should call on the counsel of Government. The Government should be forehanded in giving them its counsel and help. Such industries and concerns are diseased.

(7) Extension of the law to seamen and to canning and processing of fish, and canceling the ambiguous provision about "the area of production" seem justified. The people concerned are surely in industry, as the term is commonly used.

(8) The committee might well consider an amendment to bring migratory agricultural labor under the law because of the very terrible conditions which that kind of labor meets and because of the special character of their work and the market for the products.

(9) We take this opportunity to appeal to the States to pass like laws to protect those under the jurisdiction of the States, including ordinary farm labor.

(10) It is sometimes said that the Fair Labor Standards Act is defective since it gives the same minimum wage to both single persons and heads of families. This is, in fact, a defect, if the living wage alone is considered. Yet the wage that is set under the present amendment is barely enough for support of a single individual. Really, to correct this defect, the present amendment should be passed so as to pay the 65–75 cents minimum to everyone, and a further law should be passed to provide more money to a man with a wife and something additional for every child. Failure to introduce that new kind of system makes mandatory a law that covers everyone on the same basis. There are, however, other considerations in this respect, such as the right to equal pay for equal work.

(11) The bishops' program of social reconstruction, referred to above, advocated only State living-wage laws. It did so because at that time the Constitution was so interpreted as to forbid Federal laws on general wages. Instead of this limitation of the bishops' program being an argument against Federal laws to cover most of the persons who are now under Federal jurisdiction, it is a further argument for State laws to cover those whom the Federal Government cannot or will not protect.

(12) Two other considerations present themselves: People getting enough to live decently can produce better. People getting enough to live decently can buy more goods and services and thus can reduce unemployment. Fuller production and fuller employment will result from this law.

(13) We look upon this amendment as a companion piece to, and an even more important proposal than, the full employment bill. However, that bill, if passed, can help this bill, if passed, by the provision in the Senate full employment bill for mandatory conferences of business, labor, and agriculture to work out the conditions of full employment.

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EXHIBIT 30

STATEMENT BY MRS. GERTRUDE FOLKS ZIMAND, GENERAL SECRETARY OF THE NATIONAL CHILD LABOR COMMITTEE, SUBMITTED TO THE SUBCOMMITTEE OF THE SENATE COMMITTEE ON EDUCATION AND LABOR WITH REGARD TO SECTION 6 OF S. 1349, AMENDING THE FAIR LABOR STANDARDS ACT

Section 6 of S. 1349 amends the child-labor provisions of the Fair Labor Standards Act by including, in section 12 of the present act, a subsection (b) directly prohibiting an employer engaged in commerce or in the production of goods for commerce from employing oppressive child labor in or about, or in connection with, any enterprise in which he is so engaged.

Under the present act only those employers are covered by the child-labor provisions who actually "produce" and "ship" goods. This means that children employed in such work as telegraph messenger service, or on boats or railroads operating in interstate commerce, are not protected by the act.

More children under 16 years are employed in telegraph messenger service than in any other single industry. On March 31, 1943, it was found that 11.14 percent of the messengers employed by the Western Union Telegraph Co. were under 16 years of age (U. S. District Court, Southern District of New York, Katharine F. Lenroot, Chief of the Children's Bureau, U. S. Department of Labor, plaintiff versus the Western Union Telegraph Co., a corporation, defendant).

Messenger work is one of the least desirable forms of employment for children under 16 years. The accident rate is high, and the work frequently involves night employment for boys attending school.

The 16-year minimum age for employment set by the Fair Labor Standards Act, with work at 14 years permitted only in those industries and under those conditions which the Chief of the Children's Bureau finds will not interfere with their health, schooling and well-being, is the minimum of protection which should be granted to children employed in all industries under the act.

The minimum wage and overtime provisions of the act already apply to this broad coverage. Surely there should be no hesitancy in extending the coverage of the child labor provisions to include all the industries already covered by the wage and overtime provisions.

We urge a favorable report by the subcommittee on section 6 of S. 1349.

EXHIBIT 31

STATEMENT OF CALIFORNIA FISH CANNERS ASSOCIATION, INC.

California Fish Canners Association, Inc., is a trade association composed of canners and processors of fish,[1] with its principal office at Terminal Island, Calif. Its members can the major portion of tuna fish produced in the United States and also can large quantities of mackeral and sardines. They also produce fish meal and oil.

Senate bill No. 1349, now being considered by the Senate Committee on Education and Labor, provides, among other things, for the elimination from section 13 (a) (5) of the sea food and fishery exemption of the Fair Labor Standards Act, the following words: "and including employment in the loading, unloading, or packing of such products for shipment or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing the above products or byproducts thereof."

[1] Members of the California Fish Canners Association, Inc., are:
California Marine Curing &.Packing Co., Terminal Island, Calif.
Coast Fishing Co., Wilmington, Calif.
Franco-Italian Packing Co., Inc., Terminal Island, Calif.
French Sardine Co., Terminal Island, Calif.
Sardamack Fisheries, Wilmington, Calif.
Southern California Fish Corp., Terminal Island, Calif.
South Coast Fisheries, Inc., Terminal Island, Calif.
South Pacific Canning Co., Long Beach, Calif.
Terminal Island Sea Foods, Ltd., Terminal Island, Calif.
Van Camp Sea Food Co., Inc., Terminal Island and San Diego, Calif., and Astoria, Oreg.
West Coast Packing Corp., Long Beach, Calif.
Westgate Sea Products Co., San Diego, Calif.
Western Canners Co., Newport Beach, Calif.

The effect of this amendment will be to subject the canners of fish and processors of the byproducts of fish to the minimum-wage and maximum-hour provisions of the Fair Labor Standards Act. The California Fish Canners Association, Inc., hereby protests the enactment of such legislation or any similar legislation changing the present seafood and fishery exemption in the Fair Labor Standards Act.

It is elementary that after fish are recovered from the ocean and other waters, the recovery must be followed as rapidly as possible by canning or processing in order to preserve the catch. Canning or processing commences immediately following the landing of the fishing boats.

On May 24, 1938, Congressman S. O. Bland, chairman of the Committee on the Merchant Marine and Fisheries, United States House of Representatives, speaking in behalf of certain provisions of the bill that is now the Fair Labor Standards Act, said:

"By all the rules that apply to agriculture, and then some, the fishery industry ought to be exempted. If there is any industry under heaven that cannot measure its operations by the rules that are applicable under this bill, it is the fishery industry. It is as varied in the different sections of the country, almost, as the different fishing sections themselves, some by reason of participation in the fish caught, some by reason of wages, as well as various other operations. The industry is confronted not alone by the vicissitudes that apply to agriculture, but also wind, wave, action of the tide, fogs, and various other conditions that must, necessarily, determine operations in the fishery industry. You may legislate all you please as to the number of hours, but the fish that are running will not obey your legislation. You may legislate all you please with respect to any provision in this bill, but when it comes to fogs and waves and wind and tide you are dealing with a situation that is far beyond this bill or the operation of any bill. You are dealing, when you deal with the fishery industry, with a condition that needs assistance, that needs help, and has received just about as little as any industry in the country.

* * * * * * *

"'I ask you, in defense of this great interest, that it be given the same benefits that are given to agriculture'" (83 Cong. Rec., p. 7408).

Fishing, fish canning, and fish reduction are now equally important parts of the same industry. Congress recognized this in joining the treatment for all of these parts of the industry in one exemption to the Fair Labor Standards Act, the seafood and fishery exemption, section 13 (a) (5).

The processing and canning of fish, like time and the tides, wait for no man, and the number of hours required to process fish after the landing of a fish boat cannot be forecast. These "facts of life" caused Congress to enact the seafood and fishery exemption (sec. 13 (a) (5)) in the first place. These facts likewise caused the operation of fish canneries and fish-processing establishments to be based on:

(*a*) Processors ready to process fish as soon as fishing boats land; and

(*b*) Processors and the employees thereof ready and willing to continue processing operations without interruption as long as necessary after the fishing-boat arrivals, to insure the preservation of the natural resource—fish.

Collective bargaining agreements negotiated in each and every instance in southern California on the part of the workers by strong unions—either affiliates of the AFL or CIO—provide not for a 40-hour week but for continuous operation until fish is processed.

Congress, in enacting in the Fair Labor Standards Act, sought to eliminate "labor conditions detrimental to the maintenance of minimum standards of living, necessary for health, efficiency, and general well-being of workers" (declaration of policy contained in 29 U. S. C., sec. 202).

There are no labor conditions "detrimental to the maintenance of minimum standards of living necessary for health, efficiency, and the general well-being of workers" in the fish-processing industry in southern California.

Imposition of the 40-hour week on this industry would actually lower average pay and contribute to a reduction of minimum standards of living of employees.

Congress should not add to the momentum of forces constantly discriminating against small business that necessarily tend to force monopolistic conditions. The small fish processor cannot stand additional regimentation.

Respectfully submitted.

CALIFORNIA FISH CANNERS ASSOCIATION, INC.,
By CHAS. A. WINKLER, *Secretary.*

EXHIBIT 32

STATEMENT OF CALIFORNIA SARDINE PRODUCTS INSTITUTE WITH REFERENCE TO REMOVAL OF WAGE-AND-HOUR EXEMPTION FROM THE FAIR LABOR STANDARDS ACT

California Sardine Products Institute, a nonprofit trade association, representing local trade associations in California, whose membership includes over 95 percent of the California sardine canners and processors, hereby protests the enactment of any law by the Congress of the United States that will repeal the present seafood and fishery exemption contained in section 13 (a) (5) of the Fair Labor Standards Act (29 U. S. C. 213 (a) (5)).

Specifically, the institute protests the provision of Senate bill 1349, which would remove from seafood and fishery exemption the following words: "and including employment in the loading, unloading, or packing of such products for shipment or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing the above products or byproducts thereof."

If the Fair Labor Standards Act should be so amended, as proposed in Senate bill 1349, the minimum-wage and maximum-hour provisions of the act would, for the first time, be made applicable to fish canning and the processing of byproducts of fish.

Subjecting the canners and processors of fish to the minimum-wage and maximum-hour provisions of the Fair Labor Standards Act will not be in the public interest, for the following (among other) reasons:

1. Fish canning and processing are closely meshed and integrated operations connected with and upon which a large part of the American fishery essentially depends for its existence.

2. In order to prevent wastage by spoiling, fish must be canned or processed as rapidly as possible, commencing immediately after the landing of fish boats.

3. Canning and processing, once commenced, must continue without interruption until the entire boatload of fish is canned or processed.

4. Because of the vagaries of nature, no one can foretell when a boatload of fish will arrive for processing, nor can the amount of the catch be forecast. Consequently, the length of time necessary to complete canning or processing is never known until the fishing boat arrives. This length of time varies from day to day and from boatload to boatload.

5. These facts impelled Congress to enact the seafood and fishery exemption. In so doing, Congress recognized that fishing and fish canning and processing were so irrevocably joined as to be parts of the same industry. For this reason, it included all parts of the industry in the seafood and fishery exemption.

6. These facts are recognized in collective bargaining contracts between strong unions, AFL or CIO affiliates in each instance, and the fish canners and processors, wherein a 40-hour week is not provided for because all parties realized that fish canning and processing could not be straight-jacketed into any foreseeable number of hours of work in any week.

7. To limit the number of hours to be worked in a fish canning or processing establishment to 40 hours in a week will result in—

(*a*) Less take-home pay to the employees thereof;

(*b*) Loss of the most competent employees, causing slowing down of the preservation process;

(*c*) Inefficient operations:

(*d*) A resultant loss in the use of this valuable natural resource to the people;

(*e*) Increased cost of the product to consumers;

(*f*) Increased burden on all canners and processors by reason of added bookkeeping, reports, etc.; and

(*g*) An unduly heavy, if not impossible, burden upon the small operators.

The workers in this industry all receive minimum wages far above that provided in the Fair Labor Standards Act; in fact, higher than proposed in Senate bill 1349.

Congress, in enacting the Fair Labor Standards Act, sought to eliminate "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" (declaration of policy contained in 29 U. S. C., sec. 202).

There are no labor conditions "detrimental to the maintenance of the minimum standard of living necessary for health efficiency and the general well-being of workers" in the fish canning and processing industry in California.

Imposition of the 40-hour week on this industry would actually lower average pay and contribute to a reduction of minimum standards of living of employees.

Congress should not add to the momentum of forces constantly discriminating against small units in the fish processing industry that necessarily tend to force monopolistic conditions. The small fish processor cannot stand additional regimentation.

Respectfully submitted.

CALIFORNIA SARDINE PRODUCTS INSTITUTE,
By DAVID V. OLIVER, *Secretary.*

EXHIBIT 33

STATEMENT OF CENTRAL CALIFORNIA SARDINE ASSOCIATION

Central California Sardine Association most respectfully submits its objections to those portions of S. 1282 and S. 1349 the purposes of which are to eliminate the exemption of employees engaged in the processing, packing, and canning, etc., of fishery products as set forth in section 13 (a) (5) of the Fair Labor Standards Act.

It is submitted that the reasons of policy which first caused the Congress to embody this exemption in the Fair Labor Standards Act are still sound and should prevail. These are:

1. This industry and its employees are engaged in the processing of a perishable commodity by reason of which hours of work cannot be controlled.

2. The operations of the industry and the work of its employees must be integrated with that of the catching of fish, which, in turn, is subject to the vagaries and variations of weather, season, tide, evolution, and just plain luck.

3. The industry is engaged in converting and rendering into a form suitable for public use an economic asset (fish) which in its natural state is owned by the public.

4. Not only the industry but primarily the public has a direct interest in making certain that there is a minimum of economic waste in converting the fish, owned in their natural state by the people, into a form in which the people can utilize this public asset.

At the present time the technology of the industry has not progressed to the point when fish can be preserved beyond a few hours and still be processed for human consumption. Canned sardines are one of the least expensive methods of getting into the human system calories, certain proteins, and certain important vitamins. It is the poor man's food.

If the 40-hour week is imposed upon the industry, the probable consequences will be:

(*a*) Fishing for sardines will be carried on only about 4 nights a week instead of 6 nights a week as at present, thereby shortening the legal sardine season of 6½ months by one-third.

(*b*) Because of the fluctuations of supply, there will be wastage in the processing of fish in that it cannot economically regularly be handled at overtime rates.

(*c*) If the fish is processed at overtime rates this will so increase the cost of production that canned sardines will cease to be the poor man's food. The most important byproducts of the industry are fish meal and fish oil, which are very largely used in the feeding of animals. If the exemption is eliminated, there will follow a substantial increase in cost of this food to the farmers whose costs have already been so considerably increased by other factors.

This protest is filed on behalf of all 25 member operators, employing approximately 3,000 workers at the height of the normal processing season, located in and near the port of Monterey, Calif. This is the principal industry of the city

of Monterey, which city is one of the leading sardine-fish tonnage ports of the world, as the following figures will substantiate:

Sardine production for 1944–45

	Amount	Values
Tons of sardines received	$234,613	$5,220,139
Standard cases packed	1,659,053	6,470,306
Sardine meal (tons)	34,920	2,444,400
Sardine oil (gallons)	8,305,401	5,543,855
Pay rolls (Moss Landing not included)		2,307,513
Industry "dollar turn-over" total		21,986,213

Respectfully submitted.

CENTRAL CALIFORNIA SARDINE ASSOCIATION,
By GEORGE CLEMENS, *Assistant Secretary.*

EXHIBIT 34

To the Senate Committee on Education and Labor, Washington, D. C.

GENTLEMEN: The Maine Sardine Packers Association, which association represents practically all the packers of Maine sardines, wants to oppose the enactment of S. 1282 and S. 1349, so far as these two bills attempt to amend the present fair labor standards law, section 13 (a) of which exempts from the provisions of the act most of the employees engaged in the processing and packing of sardines.

During the hearings preceding the passage of the present Fair Labor Standards Act, the question of exempting employees of fish processing and packing concerns from the provisions of the act was thoroughly discussed, and after long and serious consideration, Congress, realizing the uncertainties under which a fish-packing concern is obliged to operate, exempted employees of such concerns from the provisions of the act.

The proposed acts place under the provision of the Fair Labor Standards Act all employees of sardine factories except those who are engaged in the actual catching of the sardines. Why should such a change be made at this time? Certainly there has been nothing since the original passage of the act that changes the conditions confronting the sardine-packing industry.

The passage of either of these amendments would be a serious, if not a fatal, blow to the sardine industry.

Catching sardines, like most fish, is a very uncertain business, and this is especially true in the eastern part of Maine (where most of the sardines are packed), because of the extreme tides existing there. All sardines have to be caught on the tide and this is true whether the high tides serve during the day or during the night. Sardines, being small, are very perishable, making it essential to have them delivered to the factory as soon as possible after being freed of red feed. Therefore, when the tide serves in the night the fish are caught in the night and, when ready, the fish are loaded on the carrying boats and delivered to the factory. Thus, the fish may arrive at noon or midnight, early in the morning or late in the afternoon, and the packers must be standing by at the factory ready to start immediately when fish do arrive. There is no way to change this system because the fish cannot be held over the tide. It frequently happens that when large schools of fish are held within seins, that threatening weather makes it imperative that they be removed immediately to save both fish and gear, and these fish must be packed as soon as they arrive at the factory.

It is essential that the packers be ready at the factory when the fish arrive, and in order to have them ready it is necessary to have them stand by for hours prior to the arrival of the fish when they arrive in the night, and this means that most of the packers are on overtime a very substantial part of the packing season. It is immediately apparent what it will mean to the industry if it is obliged to pay time and one-half for this type of labor, especially with the increase in the minimum wage. Portland sardine packers, for instance, are now paying 50 cents a case for packing, which would mean 75 cents a case for all packing done after 40 hours. During the current season of 1945, OPA put a maximum price on sardines, and unless the OPA ceiling is definitely and substantially raised on

sardines, the packers could not pack with any increased cost such as is bound to follow if the suggested amendments become laws.

Any increase in cost of packing would also render more difficult the problem of our packers in competing with Norwegian and other foreign sardine packers, who are already starting to ship their sardines into this country.

The sardine packers' problem is different from almost all other types of packers. For instance, a tomato packer, a bean or corn packer, can tell with some accuracy how much produce he has to pack, about when it will become available, and approximately how long the pack will last, so that when an employee has worked 40 hours, he can arrange to have a new employee ready to start so there will be no overtime paid. This is also true of many types of sea food, such as oysters and clams which are in beds and can be dragged or dug at almost any time, but it is certainly not true of sardines which run in large schools, and a factory may be obliged to run nights and days to keep up with the supply for a week or two and then there will be periods when no fish are caught.

It therefore respectfully requests that no amendments be passed, altering the present exemption of employees of our factories from the terms of the Fair Labor Standards Act.

MAINE SARDINE PACKERS ASSOCIATION,
By JAS. ABERNETHY, *Secretary.*

EXHIBIT 35

STATEMENT OF WILLIAM S. SNOW, PRESIDENT OF THE AMERICAN FISHERIES ASSOCIATION COOPERATIVE, IN OPPOSITION TO THAT PORTION OF SENATE BILL NO. 1349 WHICH SEEKS TO EXTEND THE WAGES-AND-HOURS LAW TO PERSONS EMPLOYED IN PROCESSING, HANDLING, LOADING, AND UNLOADING, ETC., OF SEAFOOD AND FISHERY PRODUCTS

To the chairman and members of the Committee on Education and Labor of the United States Senate:

The writer has been closely connected with the fishing industry in practically all its branches for more than 40 years and is familiar with the sea-food industry in all sections of the United States. It is my humble opinion that any person who is reasonably informed as to the facts, will readily realize that the peculiar nature of fishery products would require that exemption from the Fair Labor Standards Act should extend to all operations upon fishery products until such products have reached a state of processing that will insure their preservation.

In support of this belief, I suggest to the committee the following reasons:

1. Fishery products are probably the most perishable of all foodstuffs and in order to insure the consumer a healthful and nutritious product, it is necessary that all processing operations of whatever kind including canning, salting, reduction, or other forms of preservation take place within a few hours after these products reach the shore.

2. The uncertainty that is inevitable in the taking of fishery products is recognized in the bill under consideration at the present time by continuing the exemption of persons employed on fishing vessels. The present bill takes cognizance of the fact that the taking of fishery products from the sea is dependent upon weather, tide, water conditions, temperature, phases of the moon, and various other natural phenomena over which man has no control, and for this reason, it is not practical to fix the hours for the performance of this work. It is, therefore, inconsistent to extend the exemption to the catching of fishery products and to fail to continue the exemption to the loading, unloading, processing, canning, etc., of such products.

4. The four largest fisheries in the United States are the pilchard, salmon, tuna and menhaden. In most of these industries the workers are paid a fixed salary by collective bargaining contracts with active labor unions of national scope, and in many instances the workers pay is at a rate in excess of the minimum fixed by the Fair Labor Standards Act.

5. Where fish processing plants are located in populous communities and come into competition with other industries for labor, the fisheries industry

has found it necessary to pay a higher wage scale in order to obtain labor by reason of the fact that the handling of fishery products is not considered the most pleasant of occupations.

6. In most of the smaller processing plants, the worker's pay is fixed on a weekly, monthly, or yearly basis. This has been found necessary in order to insure to the worker a steady take-home pay.

7. Where fishing processing plants are located in isolated places, it is necessary for the employer to provide domitories, mess halls, and other necessary living quarters in order to insure a steady level of employees ready at all times to process the catch upon arrival at the shore station.

8. To require that workers in fishery processing plants be employed on an 8-hour basis would result in either of two systems: The employers would be required to maintain three shifts of workers at all times, or else, would be obliged to pay employees for 8 hours on a basic wage scale and for 16 hours on an overtime basis. This statement can be readily borne out by anyone who is familiar with the fisheries industry and who is aware of the fact that the time of arrival of the vessels at shore stations is as uncertain as the elements that govern the taking of fishery products.

9. The result to the workers would necessarily mean a reduction in take-home pay because of the small margin of profit upon which the processing plants are obliged to operate and the uncertainty as to the catch. Many of the smaller processing plants would be obliged to go out of business, and the larger processors would be obliged to arrange for the presence of the workers only at those periods when there were fishery products to be processed; thus, the relationship between employer and employee whereby the employee is guaranteed a steady pay envelope would be destroyed.

10. During the poor seasons when the catch of fishery products fell below normal, prosessing plants would hesitate to risk operations on a basis of overtime pay for 16 hours, or else would be unable to obtain a sufficient number of employees to operate on a three-shift basis.

11. The catching and processing of fishery products is the greatest gamble in all industry, and individuals engaged in both branches of the industry often hold on in the face of loss by reason of the fascination of chance taking; however, if the employer is required to operate on a basis of pay that would insure loss except during periods of exceptionally godod catches, the element of chance would largely disappear and the business would then be operated of necessity in the same manner as an industry engaged in processing steel, or other manufactured commodities.

SUMMARY

I, therefore, believe that the committee should leave the law as it is. I further believe that after a careful study of the facts, the committee will realize that the extension of the wages-and-hour provision to the processing of fishery products will result in harm to both employee and employer, and will further result in a sharp reduction in the amount of sea food available to the consumer.

In the United States the fisheries industry receives less encouragement from the Government than in any other maritime nation on earth, and for that reason among others, the fisheries industry has been for many years known as a sick industry.

Any attempt on the part of the Federal Government to fix hours of work in an industry where the element of uncertainty exists as it does in the fisheries industry will in some instances offer additional handicaps, and in others, complete destruction of an industry that furnishes employment and food to those areas of the Nation where food and employment are most needed.

I firmly believe that the proposed bill now under consideration will create a chaotic condition far beyond the imaginings of those persons who sponsor the present bill.

AMERICAN FISHERIES ASSOCIATION COOPERATIVE,
WILLIAM S. SNOW, *President*.

EXHIBIT 36

GENERAL SEAFOODS CORP.,
Boston, Mass., October 4, 1945.

Hon. LÆVERETT SALTONSTALL,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: We wish to call your attention to Senate and House bills, S. 1282, S. 1349, H. R. 3719, H. R. 3827, H. R. 3829, H. R. 3841, H. R. 3844, H. R. 3914, and H. R. 3928, and ask your aid in defeating the proposed amendment—section 13 of the act which reads as follows: "Section 13 (a) The provisions of sections 6 and 7 shall not apply with respect to * * * (4) any employee employed in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life, including the going to and returning from work;".

Any change in this amendment which has been in effect since 1938 would vitally affect the ordinary conduct of the fish business as practiced in the entire fishing industry, and especially, the fishing industry as constituted here in New England. The effect of the amendment would be to create a condition whereby minimum wages apply only to shore help and would not apply to "offshore" fishermen under the proposed amendments.

There are several reasons herein outlined which would seriously cripple our New England fishing industry, and possible result in the business interests being forced to abdicate the fish business as a going unit.

1. We are well aware of the fact that nature provides no clock to time the catching of fish.

2. Fish must be handled when it arrived at the dock to maintain high levels of quality and production, and to prevent serious deterioration in a valuable food.

3. Without the coordination of shore workers, offshore fishermen would be helpless inasmuch as catching the fish is only the first step in placing the product itself upon the consumer's table.

4. Fish and Wildlife Service estimates there are 100,000 persons employed on shore and 110,000 fishermen actively engaged in catching fish at the present time. Needless to say, a large percentage of this total employment is engaged in New England fisheries.

5. To distinguish between offshore and onshore is to cut a business in half, exempting offshore fishermen and not exempting onshore workers. We do not believe that a law of this type, which cuts a line in two, could be administered successfully and would result in evasions causing our industry considerable trouble.

6. It would also provide serious hardship for the small distributor of fishing products, which we believe is a direct attack on Congress in its attempt to create favorable laws for the small businessman.

7. We are also faced with serious competition from foreign markets, for they could very easily and no doubt would take advantage of the split created by such an amendment.

8. As stated heretofore, this law has been in effect since 1938 and was enacted only after serious consideration of the problems confronting the industry. Extensive hearings provided basic material for the act. We in the industry know that there have been no changes made in the ordinary conduct of the business which would warrant a change in the law itself. We feel that any change in the sound practices of the industry has been made, and we believe that the present law conforms with these practices. Also the proposed amendment would necessarily effect a change which would lead to chaos and an inevitable conflict in the industry.

It has been understood that hearings on the Senate bills start before the Education and Labor Committee of the Senate on September 25, 1945. Also the National Fisheries Institute has been tentatively assigned October 11 for their hearings.

We sincerely ask your act of support in the defeat of the proposed amendments and assure you that it is for the best interest of the whole industry in your district and throughout the New England coast. It is our understanding that hearings are being heard on the Senate bills at the present time and that House hearings, which will be separate, are not yet scheduled.

We trust that when these hearings are scheduled all House Members located in our fishing communities will present a strong front in defeating the provi-

sions of sections 6 and 7 in section 13 of the bills numbered in our opening paragraph.

Yours very truly,

GENERAL SEAFOODS CORP.,
MATTHEW J. DILLON, *Plant Manager.*

EXHIBIT 37

STATEMENT OF WILLIAM H. BRANSON, VICE PRESIDENT OF THE GENERAL CONFERENCE OF SEVENTH-DAY ADVENTISTS ON THE EFFECT OF PROPOSED MINIMUM-WAGE LEGISLATION ON MISSIONARY INSTITUTIONS OF RELIGIOUS BODIES

From the earliest times unselfish sacrificing groups of men and women have placed the spiritual welfare of their fellow men above their own financial well-being, and out of this service have come our great missionary movements. We are confident that Congress has no desire to thwart in any way the missionary practices of the religious bodies of this country and for that reason we present this statement outlining the possible effects of pending legislation on mission institutions and missionary training schools.

In the beginning, permit me to make it very clear that our denomination is entirely in sympathy with every legitimate effort to better the conditions of laboring men and women. We believe in reasonable hours of work, healthful surroundings, time for recreational and cultural pursuits, wages commensurate with services rendered, etc.

We do not appear here to oppose the bills which are before you, but to request that in the event they are considered favorably, certain modifications be included in order to safeguard the work and interests of not only our church and institutions but with that of other similar organizations.

In that connection it might be well to stress that our institutions are conducted on a missionary basis, and those individuals connected with them likewise carry on their activities with a missionary spirit rather than on a solely remunerative basis.

As the result of following scriptural examples in this respect we are able to offer standard educational courses at rates that are lower than those of many other institutions, and in addition we are able through our self-help program, to provide part-time employment whereby our students may earn part of their tuition. Ninety percent of the students in our institutions earn a part of their tuition, and about 50 percent earn at least half of their expenses.

You may wonder how the provisions of the bills you are now considering could affect the work of a religious body. Our church organization, besides its regular evangelical activities, carries on a very large institutional program. Seventh-Day Adventists have, for instance—

1. Their own system of education, and conduct church schools from the elementary course through the college level, and also operate a medical college and theological seminary.
2. We operate publishing houses solely for the production of denominational literature.
3. We operate medical institutions such as sanitariums, hospitals, and dispensaries for the care of the sick, and for the training of medical missionary nurses. Connected with some of these medical institutions are health food factories.

All of these non-profit-sharing enterprises are carried on with the idea of fostering the growth of our denominational work and are financed and controlled by the church. There has been established a scale of wages which applies to all workers, regardless of the particular branch of church work in which they are employed, and since these are church missionary projects, those employed in them come under the denominational wage scale.

Schools

In addition to the literary courses given, every secondary boarding school and college founded by Seventh-Day Adventists in the past 50 years offers training and experience in one or more lines of manual labor and industrial arts. Manual training, industrial work, and those things which tend to develop the recognition of the dignity of labor on the part of the youth are a very vital and integral part of our Seventh-Day Adventist educational plan and policy.

All of our educational literature published since the very beginning of this denomination is saturated with this principle. We believe such training has a definite social significance; that it makes for peace in the social order. Though a man may reach a managerial position, if he has once worked with his hands, he is not likely to consider the laborer as his inferior. The one who gains experience in any kind of handicraft knows that the skillful artisan must recognize the connection between cause and effect and must reason accurately. Such training tends to keep men from following mere speculative theory. Further, the employer or foreman who has worked as a journeyman is in a position to judge what is fair remuneration for work done. This is in harmony with the best American traditions for in early American history we find that the four R's were taught in school, while trades, manual labor, and the household arts were taught by parents in the home and shop and on the farm. American education today is endeavoring to restore this practical side of education through vocational training in high schools.

Educators today in general recognize that education and life are too far apart. In our Seventh-Day Adventist system of education it is our attempt to keep them tied closely together. We believe in the principle that was enunciated by William Penn, that "in any educational system worth-while, the intellectual, the spiritual, and the industrial are inextricably mixed." Because of that belife, our institutions are usually established in rural environments, most of them on good-sized farms where at least sufficient food can be produced to supply the needs of the members of the institution.

We have also established, in connection with these institutions, for the purpose of education and training, departments of agriculture, printing, woodworking, broommaking, and in some instances, mechanics, auto mechanics, and chenille work. In these various industries connected with our educational institutions, through the work-privileges provided, it becomes possible for a large number of youth, who otherwise would not be able to finance a college education, to earn a portion or all of their school expenses. About 50 percent of our students earn at least half of their school expenses in this way, while some while some 90 percent earn at least a portion.

The wages paid to teachers and to all the leaders in these institutions are strictly on a church missionary basis. As already stated, the denomination wage scale applies to all its workers, whether evangelical or institutional, and this scale is applied in principle to its work throughout the world. Thus the maximum wage in 1945 for senior college presidents is fixed at $50 per week, while for junior college presidents the scale ranges from $36.50 to $47.50 per week, and academy principals from $36.50 to $45. Teachers in the respective institutions receive a few dollars less.

While some of the industries in connection with our colleges have grown to be quite large and to a considerable business, yet all of these institutions are eleemosynary, nonprofit organizations and are subsidized by charity through various churches and conferences. Any profits that may accrue in any of these industries go to the general upbuilding of the institutions of the church and not to any individual, nor even to the industry itself. The industries are organized for the one purpose of training the students in labor, maintaining an atmosphere of work for everybody about the institution, and providing opportunities for the students to earn a portion of their own way through school on a basis of self-help.

Inasmuch as these students work only a few hours each day, and also because the majority of the time we are using immature and untrained help, and since the student-worker will be engaged in that type of labor only for the period necessary for the course of study being pursued, you can see our problem, if we were compelled by law to pay the same wages that regular commercial industrial firms are able to pay for regular workers. Since the student-workers must integrate their manual labor with their classroom work, many of them are able to put in only from 1 to 5 hours per day, and therefore could not be classed as regular laborers in the industry.

There is also, of course, a very rapid turn-over of student labor, and this, together with the broken time that students are able to work, the fact that unskilled labor reduces the production of the machines, the spoiling of materials, and the damage done to the machines by those who are not well acquainted with their operation, all contribute to the high cost of production of the finished article. This results in a lack of efficiency in these industries that would not appear in a regular commercial factory.

The charges made to our students for their education, board, and room are lower than those of other institutions of equal size and equipment.

Most of the graduates of our schools go into our own denominational work and become ministers, doctors, teachers, or workers in our various institutions.

Aside from the institutions operated in the United States, we have a large number of similar institutions throughout the world, all of which operate on the same principle as those in the United States. It is necessary therefore that those connected with these various organizations throughout the world shall have received the kind of training that involves manual work in order that they may be able to foster this same type of work as they go out to other lands as missionaries.

We operate 9 colleges and 67 secondary schools in the United States, with 5,500 college students and 9,548 secondary students, in addition to about 21,000 children in our elementary schools. As mentioned already, all of these schools are subsidized, and they are consumers of much of their own products.

From these facts I believe it will be clear to you that if the provisions of these labor bills which are now before you should be applied to our denominational industrial program, it would make it impossible for us to continue to carry on this branch of our work. It would also completely upset our entire denominational wage scale unless we were to be faced with the enigma of having students in our colleges earn more in our industrial departments than is paid to academy principals and college presidents in charge of the student work.

Publishing houses

Our publishing houses produce only denominational literature. All of these institutions are segments of the denominational organization. They operate as subsidiaries either of our general conference or of the respective union conference organizations. Their boards are amenable to the general policies of the denomination, and there is complete interlocking of interests and controlling policies with those of the church. Take, for instance, our Review and Herald Publishing Association located in Takoma Park, D. C. Its general manager and chief editors are members of our general conference committee, and several members of our general conference committee are members of the publishing house board. The editors of these institutions are appointed by joint action of the general conference committee and the institutional managers. The institution's relationships to the world field of Adventist endeavor are regulated and controlled by general conference policies.

None of the operating surpluses of these publishing houses accrue to the profit of any individual, but are used solely for the upkeep of the plant and for the general support of the denominational missionary work. All their interests are devoted to the denominational program and no commercial printing or publishing of any nature is done in these plants. They are manned by church members who are willing to do their missionary work in this production of our religious literature. The printing offices in our schools are manned by student workmen and carry on certain types of job printing in order to give work privileges to worthy poor young people who are not planning primarily to make printing their life work.

The management of these publishing houses is also all paid on the basis of our denominational wage scale. For illustration, the wage scale for general managers of our principal publishing houses ranges from $41.25 to $50 per week. Other administrators in the institutions naturally receive a little less than this. If, as provided in the bills before Congress, it would become necessary for these institutions to pay time and a half for overtime, this feature would completely distort and confuse our denominational wage schedule as it would be entirely out of harmony with its missionary character and would prove to be a very serious problem for our church. Under the present law, due to the particular provisions regarding overtime, many journeymen at the Review and Herald Publishing Association are now receiving remuneration exceeding that of the managers and other executive officers of the institution.

For the limited period of the war emergency this was not so serious, but it is self-evident that it could not justly or wisely be allowed to continue indefinitely. To make an adjustment in the managerial and professional workers' salaries commensurate with what the journeymen would receive under the new proposal would, in turn, throw these organizations far out of line with other denominational interests and would jeopardize the entire financial structure of the church. To raise all denominational wage rates to harmonize with the proposed law would destroy the missionary and sacrificial basis upon which our denominational leaders and workers throughout the world are at the present time serving, and would greatly restrict the church in its service to the world.

Medical institutions

The same principles apply to our medical institutions, health food factories, etc. If the provisions of these bills should be applied to the various food industries connected with our medical institutions, the result would be that a number of those who would be engaged in manual work in these institutions would actually be drawing a higher take-home wage each week than would the managers of such institutions. These medical institutions are conducting training courses for nurses and are preparing missionary workers for our work throughout the world field. Just as is the case in all our other institutions mentioned before, their entire staffs, including the doctors, directors of schools of nursing, supervisors, etc., are working on a missionary wage. The employees in all these organizations are members of our own faith and are happy and entirely satisfied with the remuneration they have been receiving for their work.

Emoluments

To all regular, full-time employees of our institutions, we give certain emoluments above and beyond their regular salaries as follows:

(*a*) A rent subsidy to married couples of from $14 to $25 per month.

(*b*) Special discounts at our institutional cafeterias to all employees for food.

(*c*) An annual 2-week holiday on regular salary.

(*d*) A plan of financial assistance in sickness which provides for from 50 to 75 percent of the medical and hospital bills incurred during an illness of the employee, or of his immediate family, and in case of death in the family, usually 50 percent or more of the funeral expense is cared for by the employing organization.

(*e*) A sustentation plan which provides a monthly income of from $20 to $93.50 to superannuated or disabled workers or their wives or minor children, according to the number of years of service, and all without any deduction from the workers' pay.

In view of all the foregoing facts, we earnestly request your committee to write into these bills, should they be reported upon favorably, such provisions as would exempt our church-affiliated institutions so that undue hardship would not be brought upon them in the conduct of their religious work throughout this country.

EXHIBIT 38

STATEMENT OF AL. PHILIP KANE, GENERAL COUNSEL FOR THE NATIONAL FEDERATION OF TELEPHONE WORKERS, REGARDING S. 1349, SEVENTY-NINTH CONGRESS, FIRST SESSION

On November 17 and 18, 1944, the subcommittee of the Committee on Education and Labor of the United States Senate held hearings on Senate Concurrent Resolution 48 (78th Cong., 2d sess.) which was a resolution determining that a straight time hourly rate of 65 cents per hour should be the minimum below which the National War Labor Board would consider any wage as substandard. On behalf of the National Federation of Telephone Workers, a nationally organized labor union now representing far in excess of 200,000 members in all branches of the telephone industry, both Bell system and independent, I appeared before the committee and made a statement which appears at pages 155 et seq. of the reported hearings on that resolution.

The present bill is broader in scope than was Senate Concurrent Resolution 48 and differs from the resolution in that the bill provides mandatorily for the establishment of given minimum rates while the resolution merely made the approval or imposition of higher minimum rates discretionary with National War Labor Board.

Since the date of the former hearings, conditions have changed to a very great extent. Instead of attempting to gear our wage levels to a war economy, we must now adjust them to a period of reconversion and readjustment. We can and must now take a look at what the future peacetime requirements of our economy will be.

On the whole, it will abundantly appear from the testimony adduced for this committee that the increase in straight-time hourly wages of workers of the United States has not kept pace with the increases in the workers' cost of living. This fact has long been recognized by the National War Labor Board whose reluctance to depart from the maximum 15 percent allowable increase under the Little Steel formula was based upon the consideration that substantial overtime

payments received by the workers during the war were sufficient to offset that portion of the increase in the cost of living which was not compensated for by increases in straight-time earnings. Millions of workers are now receiving no overtime compensation whatever and many more have had their workweeks cut in order to spread employment more equitably throughout the workers in their industries. The take-home pay of the average worker has been sharply reduced but his living expenses are just as high as they were during the war period.

Every reliable index points to at least a mild form of inflation in the years just ahead of us. Security prices have already advanced sharply to 8-year highs. The relaxation of wartime price controls will inevitably be followed by rising prices for food, clothing, and shelter and it will obviously be necessary for workers to receive a higher hourly wage than before the war in order to meet ordinary living expenses.

It is the determined policy of the National Federation of Telephone Workers that workers in industry should be paid a fair wage for a fair day's work and that no wage is fair which does not permit its recipient to maintain a standard of living which will conform to an accepted minimum standard of decency.

In an NFTW statement before the Senate subcommittee on Senate Concurrent Resolution 48 the following sentence appears:

"It is the position of the National Federation of Telephone Workers that, because of the tremendous changes in economic conditions which have taken place since 1938 the country is in the position of being required to recognize the fact that the place where the line should be drawn between standard and substandard wages is considerably above the 40-cent level and is nearer to the 65-cent proposal contained in Senate Concurrent Resolution 48."

The federation continues to adhere to the views expressed at the former hearing. It believes that the increases in the cost of living and the increases in taxes and in other additional expenses not clearly demonstrable in published indexes render a present-day wage of 65 cents of less real worth to the worker in purchasing power than the 40-cent wage of 1938. It is not the number of cents per hour which counts with the worker, but, rather, what he can buy and what he can provide for his family from the money which he earns. Based on a full year of employment at the rate of 65 cents an hour for 40 hours a week the worker would receive the pitifully low annual earnings of $1,352. At the maximum rate of 75 cents an hour provided in the proposed bill the full annual earnings on a straight-time basis would be only $1,500. The meanest of budgets would not allow a surplus for savings to one who might be required to support a family out of such earning.

SUBSTANDARD WAGES IN THE TELEPHONE INDUSTRY

Adequate data will be furnished the committee from governmental and other sources on the general issue of substandard wages. The National Federation of Telephone Workers believe, however, that it should point out to the committee the wage situation in the telephone industry.

When the ordinary layman hears the expression "the telephone indsutry" he immediately thinks of the Bell system or the group of companies associated with the American Telephone & Telegraph Co. That, of course, is attributable to the fact that the Bell system operates in every State of the Union and enjoys something of a monopolistic place in the industry. The simple truth of the matter is that while the giant Bell system garners some 90 percent of all the telephone business in the country, the remaining 10 percent is divided among thousands of smaller companies. This does not mean, however, that there are no large telephone companies which are independent of the Bell system. There are many such companies.

From the workers' point of view the expression "the telephone industry" includes both operating companies, which render telephone service to subscribers through central office exchanges and switching services, and manufacturing companies which produce the equipment used in connection with the businesses of the operating companies. Thus, the Western Electric Co. is the manufacturing company which provides the Bell system (which controls it) with the equipment used by Bell's associated companies. Independent operating companies, in turn rely on independent manufacturers for their equipment.

It must at once be recognized that a study of wages in the telephone industry, thus considered, must take into consideration the data for both manufacturing and nonmanufacturing industries. The wages and hours of Western Electric workers are just as sensitive to economic changes as are those of workers in the automobile industry. Not only have the employees of that company lost their opportunities for overtime earnings (which really enabled them barely to meet their inflated living costss during the war) but thousands of them have lost their jobs because of the cancellation of war orders. Roughly 30 percent of the company's employees have been laid off at the Point Breeze, Md., plant of the company in the past few months. When the work of reconverting the plant to a peacetime basis has been completed, the total employment may increase to some extent, but the work will be spread in such a way that the average worker will be most fortunate if he is able to work a full week of 40 hours. For this large segment of the telephone industry the wage problem is the same as it is for all other manufacturing groups.

The problem of the workers employed by the operating companies is quite a different one. In that field, wages have never been commensurate with those paid by manufacturing companies. The industry has long been characterized by the low wages which it pays its operating force. A study of the volume entitled "Statistics of the Communications Industry in the United States for the Year Ended December 31, 1943," prepared by the Accounting, Statistical, and Tariff Department of the Federal Communications Sommission and published by the Government Printing Office in 1945 (table 9, page 18) reveals the following facts:

"There was a total of 353,002 persons employed on a full-time basis by all of the class A telephone carriers (those having annual operating revenues of $100,000 or more) during October 1943. This number included about 25,000 officers, attorneys, engineers, managers, and others who could not be classified as wage earners. Two hundred and fifty thousand eight hundred and eighty three, or 71 percent of all of the full-time employees and almost 80 percent of those properly classified as wage earners, were women. One hundred and twenty-seven thousand five hundred and seventy-five, or more than 50 percent of all of the women employed full time by class A telephone carriers earned less than $24 a week or 60 cents an hour for a 40-hour week. At the same time 2,564 male employees received similarly low wages. Thus a total of almost 37 percent of all of the employees of class A carriers were receiving less than 60 cents an hour as an average wage."

The wage figures for the class B, class C, and class D carriers are not shown, but it is certain that they were much below those of the class A companies.

It may be objected that the use of the 1943 data does not truly represent the wage situation in the telephone industry today because of the wage increases which have been granted during the present year by the National War Labor Board. The effect of those increases is hereinafter discussed.

Early in 1945 the National Telephone Panel (now the Telephone Commission) of the National War Labor Board developed and the Board approved a wage policy to be followed in processing telephone cases. This policy applied with particular appropriateness to the Bell system cases. Public Release No. B-1888-D, issued by the National War Labor Board, deals with this policy and contains the following statement:

"B. SUBSTANDARDS

"There will be cases arising in the Bell system which involve the question of substandard wage levels. The Panel has, however, deferred comprehensive analysis of the problem because the question of gross inequities so overshadows it. It appears possible that certain peculiar features of the industry, such as the long automatic progression schedules and the established intracompany area differentials will require a special application of the Board's substandard doctrines to the telephone industry."

What that means is simply that the telephone companies have been paying so much less than employers of comparable workers that the strongest effort should be made to require the telephone companies to adjust their entire wage schedules in the direction of decency and that the elimination of substandards would be a byproduct of this effort. At this point it must be borne in mind that the overwhelming preponderance of the independent companies pay far more poorly than do the Bell system companies and that a study of the independent company wage structure would reveal a shocking substandard condition.

By reason of the application of the National War Labor Board's telephone wage policy to the cases processed by the Board, the minimum Bell system wage rate is slowly but steadily being raised to 50 cents. But, when wartime sanctions are removed, it is entirely unlikely that further gains in wages will be voluntarily conceded by the companies It is more likely that they will attempt to reduce wages

What might be expected from a Bell system company in the absence of a legally specified minimum wage can be determined by studying some of the wage schedules which were in use prior to the effective date of the Fair Labor Standards Act.

For example, the Southern Bell Telephone & Telegraph Co. is a mammoth organization operating telephone lines in the nine Southeast States. It employs more than 300,000 people. Until the Fair Labor Standards Act finally required the payment of a minimum wage of 40 cents an hour the Southern Bell Telephone operators received as little as 35 cents an hour. Fully experienced telephone operators received only 40 and 41 cents an hour. The wage rates for telephone operators in the Southern Bell Telephone Co. are even now as low as $16 and $17 a week. It is believed that, in a case which is now pending before the National War Labor Board, the minimum rate for these operators in the southern area will be brought up to the lamentably low 50-cent level.

It must not be assumed that the Southern Bell Telephone Co. represents an exception to the wage pattern in the Bell system. True, its prewar wages were probably lower than those of the companies operating in metropolitan areas but other instances might be cited in which starvation wages were paid by Bell system affiliates. For example, in some of the smaller Wisconsin exchanges the wages for telephone operators in use before the effectiveness of the Fair Labor Standards Act ranged from $12 to $17 a week and it took a girl who started at the $12 rate 9 years to reach the maximum rate of $17 a week. It is believed that, before the National War Labor Board goes out of existence, all of the Bell system companies will have been raised to a minimum of 50 cents an hour.

It has ben reliably estimated that even after all of the wage changes have been made under War Labor Board approval, a very large percentage of all of the telephone operators in the country will be receiving less than 65 cents an hour. The telephone industry has different wage schedules for different areas served by the respective companies. It has been estimated that 30 percent of all of the telephone operators are on the highest wage schedules and that of those on the highest schedule some 60 percent receive 65 cents on hour or less. It has been also reliably estimated that of the 70 percent of all the telephone operators comprising the lower-wage schedules some 80 percent or about 56 percent of the total of the traffic department operators received $26 a week or less. If these estimates are correct, and they were made by a person who has maintained close contact with all of the telephone cases processed by the Board, a total of 74 percent of all of the telephone operators employed in the Bell system now receive less than 65 cents an hour for their work.

Furthermore, estimates from the same source indicate that, in the commercial and accounting departments of the Bell Telephone companies, some 50 percent of the employees earn less than 65 cents an hour. In the plant departments of the Bell companies the situation is somewhat different. Although there are starting rates in the plant departments under 65 cents an hour there are probably only 3 percent of the plant employees who receive less than the proposed minimum wage. This is attributed to the fact that some 80 percent of the plant employees have been with the companies for such periods of time as to have reached the tops of the long Bell system progression schedules.

Thus, the immediate specification of a 65-cent minimum wage would benefit the low-paid traffic operators and the white-collar workers but would not have much direct effect on the better-paid plant workers.

A special word should be said about substandards in the independent industry. In the first place we should understand clearly what is meant by the expression "the independent industry." This expression includes all of the various telephone companies which are not associated with the Bell system. One common misunderstanding must be eliminated. Strangers to the industry are likely to think of the independent telephone companies as all being small companies. This is not true. There are many telephone companies in the United States, including many of those embraced in the General Telephone Corp., Theodore Gary & Co., Telephone Bond & Share Co., and other holding companies which are both large and profitable business enterprises. (See for some examples, tables 43, 44, 47, pp. 196 et seq. Statistics of the Communications Industry in the United States for the Year Ended December 31, 1943, supra.) Many of the independent companies should be as well able as Bell system companies to pay that minimum wage, whether it be 65 cents or 75 cents, which Congress may specify.

Some of the smaller independent companies claim they are unable to pay such a wage because of the low rates which they are permitted to charge for telephone service or because of the small number of stations serviced by them. These claims must be separately considered.

There can be absolutely no justification for a policy which, in the interest of public-utility price regulation, shifts the burden of paying for telephone service from the consumer to the workers in the industry. The subscribers to telephone service are entitled to low rates only if they are fair; and a rate cannot be fair to the public if it is based upon the suffering and privations of the people who must furnish that service by personal labor. Where unconscionable low-wage rates now exist, prompt application for price relief should be made by the operating companies so that respectable wages may be paid. To the discredit of the independent companies it must be said that they have not made these requests in the past. If Congress passes the proposed bill, they may be required to make the applications, but, if their claim is true, the State regulatory commissions will be required to approve their applications. According to our reliable estimates, outside of the larger independent companies it will be found that the great majority of all employees in the independent field receive less than 65 cents an hour at the present time.

The claim that some independent companies cannot pay the established minimum rate because of the small number of stations serviced by them can be quite deceiving. The number of stations (or telephones) serviced by a particular exchange has no direct relation to the amount of business done through that exchange. Nor does it directly bear on the profitable or unprofitable character of the business done by the exchange. Thus, the exchanges of the Chesapeake & Potomac Telephone Co. in Rockville, Md., and Marlboro, Md., each service a little more than 500 stations. But both of those towns lie in the metropolitan area of Washington, D. C., contribute to the economy of the Nation's Capital and are dependent for wage treatment and market prices on conditions in Washington. If we suppose for a moment that the Bell system sold those two exchanges to a Mr. Jones, who promptly incorporated each exchange into a separate private corporation and then conducted the exchanges as separate businesses with contracts for connections with the Bell system we would have two companies bordering on the right to an exemption under the act when economically they would not be entitled to such an exemption.

It should be very clear that an exchange with less than 500 stations but controlled by a larger company must contribute something of value to that larger company either in revenue or strategy of location which makes it desirable for the larger company to control it.

There are undoubtedly many of the smaller cooperatives and single exchanges companies not affiliated with larger companies which might properly be considered as entitled to some special treatment; but there are many others which seek such special treatment while not entitled to it. In this connection the committee should have the benefit of the experience of the Wages, Hours, and Public Contracts Division of the Department of Labor in dealing with applications for the granting of learners' permits under regulations promulgated by the Administrator of that Division. The NFTW has opposed the granting of many of such permits and in some instances has been successful in its efforts.

OBJECTIONS TO THE PRESENT FORM OF THE BILL

1. Exemptions

While approving of the principal purposes of the bill as proposed the National Federation of Telephone Workers presents to the committee two objections to the form of the bill. One of these has to do with the topic discussed in the paragraphs which immediately precede this one and is directed to section 7 which amends section 13 of the act. The particular language objected to appears on page 12, lines 7 and 8, and reads as follows:

"(10) Any switchboard operator employed in a public telephone exchange which has less than 500 stations."

This language should either be stricken from the bill or else modified in such a way as to eliminate any possibility for an abuse of the workers in such exchanges. Obviously the Congress would not intend to exempt the wealthy American Telephone & Telegraph Co. from the obligation of paying employees in its smaller units the same wages as must be paid by a small processer of tangible goods for shipment in interstate commerce. Nor does it intend to exempt the smaller "agency operated" exchanges of the A. T. & T. There should not be left any room for doubt, however, as to its intent with regard to the smaller units of other large or substantial combines or operating companies. Such a unit gives strength to and receives strength from the larger enterprise.

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Its ability to pay should not be confused with the ability of a small individually operated company in a sparsely settled area.

Accurate data on the wages in the very small companies is not available because, having less than eight employees, they have not been required to bring their wage cases to the National War Labor Board.

The National Federation of Telephone Workers believes that no exemption at all should be granted to telephone exchanges, but that, if any exemption should be granted, it should apply only to cooperatives servicing less than 300 stations and to such small enterprises as may be individually owned, be not controlled by or have intercompany relationships with other companies or enterprises which together service an aggregate of 300 stations. It further believes that no exemption should be granted to any company or exchange which has more than two operating employees.

2. Relief from overtime provisions

The second objection of the National Federation of Telephone Workers is directed to the provisions of section 4 amending sections 7 (b) (1) and 7 (b) (2). In both of these sections the language "certified as bona fide by the National Labor Relations Board."

The use of the quoted language indicates a lack of understanding as to how the National Labor Relations Act operates. A union may be bona fide without ever having been certified as such by the Board. Many unions in the A. F. of L., the CIO, and NFTW hold contracts with employers not as a result of certification but as the result of the willingness on the part of the employers to accept proof that they are the voluntarily selected bona fide collective bargaining representatives of their workers. It is only when an employer refuses to recognize the union or when two or more unions claim to be the representative of a majority or when one union brings charges against another union that the NLRB and its certifying machinery come into play. The obvious result of including this language in the Act at a time when some unions are planning to push for guaranteed annual wages would be to throw a tremendous certifying obligation on the NLRB which the Board would be unable to discharge for many years to come unless its staff were multiplied many times ever. The only parties to gain by the creation of this situation would be the employers who would argue that they could not enter into an agreement for a guaranteed wage under section 7 (b) of the act until certification had been obtained. The situation might also result in the certification of many unions as bona fide which were not entitled to that characterization. Thus, where no contest exists, an employer and company dominated union might get together and obtain certification for the union.

This language is most unfortunate and should be stricken from the bill.

AL PHILIP KANE.

EXHIBIT 39

LAKE CARRIERS' ASSOCIATION,
Cleveland 13, Ohio, November 7, 1945.

Hon. JAMES M. TUNNELL,
Acting Chairman, Special Subcommittee
Senate Committee on Education and Labor,
Senate Office Building, Washington, D. C.

Statement opposing extension of Fair Labor Standards Act to seamen (S. 1349)

DEAR SIR: Lake Carriers' Association is composed of 33 companies owning and operating 324 ships which transport, between ports on the Great Lakes, commodities in bulk, such as iron ore, limestone, coal, and grain. Those ships constitute about 90 percent of United States ships on the Great Lakes of 1,000 gross tons register and over, and employ about 90 percent of the seamen necessary to the crewing of all such Great Lakes ships.

By telegram dated October 11, 1945, I informed Senator James E. Murray, chairman of the Committee on Education and Labor, that members of our association were opposed to S. 1349, insofar as it undertook deletion of the exclusion respecting seamen from the Fair Labor Standards Act. Opportunity for hearing was requested. By arrangements made with Charles Kramer, chief of staff to Senator Pepper, chairman of the special subcommittee considering the bill, this letter is filed for the record on S. 1349.

MARITIME STATUTE LAW PRESCRIBES QUALIFICATIONS, DIVISION OF WATCHES, MAXIMUM HOURS, AND PAYMENT OF WAGES OF SEAMEN

Maritime statute law prescribes minimum qualifications for the issuance of licenses to officers and certificates of service to unlicensed seamen, fixes minimum watch divisions, establishes a maximum workday, and governs the payment of wages. Intial standards having been instituted more than three-quarters of a century ago, all requirements were made more rigorous and complete by the Seamen's Act, 1915, and the Seamen's Act, 1936.

Present law now prohibits division of officers and crew into less than three equal watches and a workday of more than 8 hours. Enforcement of the laws respecting qualifications, employment hours, and working conditions vests by permanent law in the Department of Commerce. However, those functions and powers have reposed during the war in the United States Coast Guard.

EXTENSION OF FAIR LABOR STANDARDS ACT WOULD RESULT IN CONFLICTS WITH MARITIME STATUTE LAW

Removal of the exclusion with respect to seamen contained in section 13 (a) of the Fair Labor Standards Act would produce several serious conflicts between that act and existing maritime statutory regulations:

(1) There would be dual control in the matter of hours and method of payment of wages between the agency enforcing the navigation and shipping laws and the Administrator of the Fair Labor Standards Act. The evils of dual control were recognized by the Congress in the original enactment of the Fair Labor Standards Act, 1938. Reasons militating against such dual control that were recognized in 1938 are equally valid at the present time.

(2) The Seamen's Act prescribes maximum hours and minimum division of watches on the basis of a single day. The Fair Labor Standards Act prescribes maximum hours on the basis of 1 week. The difference is explained by the underlying motives of the two laws. The Seamen's Act insures greater safety of life and property at sea. The Fair Labor Standards Act is designed primarily to spread employment by the shortening of hours and by the discouragement of hours in excess of 40 per week through the mandatory payment of overtime compensation.

(3) Extension of the Fair Labor Standards Act to seamen would constitute a substantial amendment to the Seamen's Act. To the extent that the Seamen's Act was so amended, it would be reasonable to infer that Congress was shifting the safety requirements from a day basis to a week basis. Maximum hours for each seaman would be changed from 8 hours per day to 40 hours per week. The total number of hours per week is not equally divisible by 40; nor is 40 divisible by 7. Since ships must be operated around the clock, there could be no equal mathematical division of the officers and crew into watches and compliance with a maximum 40-hour week, unless that division were 5 or more. In other words, instead of 3 watches, a ship would have 5 or more watches.

(4) Maritime statutes prescribe standards for the crewing of ships, in the interest of safety, of life and property. In determining the number of persons required in a ship's complement the administrative agency must not only give consideration to the number required to navigate the ship but to the physical ability of the ship to house and feed and to provide adequate safety and life-saving devices. For that reason a certificate of inspection fixes the maximum number of persons who may be on board a ship while she is being navigated. The mandate of the Fair Labor Standards Act respecting maximum hours is nowise tempered by safety considerations.

(5) Maritime statute law and the tradition of the sea recognize that licensed officers are ships' executives. The Fair Labor Standards Act leaves to administrative determination those who are bona fide executive employees. Present regulations follow a rule of thumb in the definition of executive employees. Among other requirements, an executive employee may not perform more than 20 percent of the same kind of work as those whom he supervises. On a ship there is telescopic supervision; that is to say, a junior officer is supervised in some measure by the work of each of his superiors. By the very nature of an officer's work in the navigation of a ship or in the operation of her machinery, the highest officer of the department performs in many instances substantially the same kind of work as the officers whose work he directs and supervises. If present regulations of the Administrator were to apply, even masters and chief engineers might not be regarded as bona fide executive or administrative employees.

40-HOUR WEEK ABOARD SHIP WOULD RAISE SERIOUS PROBLEMS RESPECTING QUARTERS AND SAFETY

Crewing and safety problems incident to the institution of a 40-hour week for merchant seamen would be fully as alarming as the legal conflicts between maritime statute law and the Fair Labor Standards Act. The average Great Lakes cargo ship now employs 36 men. Institution of a 40-hour week would require, at least, an increase in the number of watches from 3 to 4, with 2 additional licensed officers and 10 more unlicensed crew members. Even with those additional men, regular overtime could not be avoided, and there would be a minimum increase in pay-roll expense of about 42 percent.

Of the Great Lakes fleet operated by members of this association, only 25 ships have been constructed since enactment of the Seamen's Act, 1936, which, among other provisions, required substantial additional crews. The remaining 299 vessels range from 15 to 50 years of age. Few of the ships would be permitted by their present certificates of inspection to carry as many as 48 persons, and none of the older ships has additional space which could be utilized for the housing of additional personnel.

EMPLOYEES OF RAILROADS, MOTOR AND AIR CARRIERS ARE EXEMPT FROM MAXIMUM-HOUR PROVISIONS

In its present form section 13 of the Fair Labor Standards Act excludes from the maximum-hour provisions, in addition to seamen, the employees of railroads and motor and air carriers. The amendment to section 13 proposed by this bill would result in bringing only seamen or the employees of water carriers within those provisions. Such action would be irreconcilable with the policy of Congress to avoid overlapping jurisdiction on common subjects. Congress has heretofore made more complete provision for the protection of seamen in the enactment of maritime statutes than it has for the employees of carriers in other modes of transportation. In the extension of the Fair Labor Standards Act to transportation employees, there is more room for overlapping conflicts with respect to seamen than any other such employees.

Very truly yours,

A. T. WOOD, *President.*

EXHIBIT 40

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington 6, D. C., October 31, 1945.

Hon. JAMES M. TUNNELL,
Chairman, Subcommittee on Minimum Wage,
Committee on Education and Labor, United States Senate,
Washington, D. C.

DEAR SENATOR TUNNELL: Enclosed is a short statement concerning the policy of the National Council of Farmer Cooperatives on the related subjects of wages, full employment, and social security adopted at a meeting of the executive committee on September 7 and 8, 1945.

We request permission to file the statement in the record of the hearings on the minimum wage bill, S. 1349, which your subcommittee has been holding.

Respectfully yours,

JOHN H. DAVIS, *Executive Secretary.*

(Enclosure.)

STATEMENT ON FULL EMPLOYMENT AND LABOR

Full employment of labor, capital, and natural resources under our American system is the result of optimum production of needed goods and services. Our free, expanding economy normally generates its own new production to employ the gradual increase in our supply of workers and to employ those who are displaced by labor-saving improvements in production and distribution. Increased production efficiency, which is reflected in lower unit-production costs, provides opportunity for a constantly increasing number of jobs, more goods and services per customer, and hence a gradually higher standard of living for all.

It is the function of our Government to provide a favorable business climate in terms of such factors as money, taxes, and monopoly regulations, and fair trade practices, in order that private enterprise through effective labor, thrift, and investment can fully use our manpower, capital, and natural resources in a system of free economy. Under such conditions unemployment should be largely transitional, pending the reestablishment of conditions which will absorb such workers in productive private enterprise. It devolves upon Government in times of emergency to assist persons in need or distress to a subsistence income through well-planned and managed work and relief programs thus improving the business climate by providing incentives to greater development and use of individual initiative, skills, and management.

A free economy should be protected by a government which restrains its activities to that of an umpire, rather than participating in management or capitalist roles. Real wages under such circumstances will be advanced by competition through adjustments in wages or prices or both as fast as increased man-hour productivity will permit. It is important that gains in real wages benefit workers generally instead of being limited to select groups through monopoly practices. If maximum employment is to result, it is essential that increases in the general standard of living be reflected in the real earnings of self-employed persons such as those engaged in agriculture and services.

In a free economy, labor and management, if properly responsible to the public and in their own long-time interest, will negotiate conditions of employment voluntarily and will reduce strikes and lock-outs to a minimum. Production or services essential to the daily welfare of the people should be maintained with the aid of appropraite public conciliatory machinery, where voluntary efforts fail.

EXHIBIT 41

NEW YORK TRAP ROCK CORP.—IN THE MATTER OF SENATE BILL NO. 1349 TO THE SENATE COMMITTEE ON EDUCATION AND LABOR

New York Trap Rock Corp., a corporation of the State of New York, with its office at 230 Park Avenue, New York 17, N. Y., asks leave to file this memorandum in opposition to that portion of S. 1349 which proposes the repeal of the present exemption of seamen from the operation of the Fair Labor Standards Act of 1938 (sec. 13 (a)(3)) insofar as that repeal would affect the business of the corporation, which is the production of crushed or broken stone, and of those in similar situation who, for the most part, are producers of sand and gravel.

The exemption, as it stands, applies to only one class of our employees, to wit, captains of deck scows. Employees of this class and type are seamen (*Gale* v. *Union Bag & Paper Corp.*, 116 Fed. 2d, 27; certiorari denied, 313 U. S. 559). It is, we think, clear that as to employees of this class the exemption should be continued. A description of the use of deck scows and of the duties of deck-scow captains in the case of this corporation (which is to a great extent typical) will most briefly show the reasons for this contention which is based upon considerations of practical necessity.

THE USE OF DECK SCOWS IN THE BUSINESS OF THE CORPORATION

This corporation is engaged in the business of producing crushed or broken stone which is used in street and highway construction and as a coarse aggregate in the manufacture of concrete, in the production of riprap stone which is used for the construction of piers and breakwaters and similar purposes, and in the production of related products. For the delivery of these products to the purchasers and users thereof, the corporation owns and operates a fleet of non-self-propelled deck scows, about 165 in number.

The quarries and plants of the corporation are on the banks of the Hudson River, the southernmost being at Haverstraw which is approximately 30 miles from West Thirty-sixth Street and the North River in the city of New York which is the terminal of the down river Hudson River tow; the northernmost quarry and plant is at Stoneco which is 70 miles from said terminal. The vessels in question are towed from these plants or quarries to said terminal by tugs hired for the purpose and from the terminal are taken to their several points of destination, which point may be in the city of New York or as far eastward on Long Island Sound as Port Jefferson, or to points in New Jersey such as Paterson, Passaic, Hackensack, Newark, Perth Amboy, or New Brunswick, and occasionally to points along the south seacoast of Long Island such as Fire Island, and down the Jersey coast into the Shrewsbury River.

The time of a trip from quarries to destination might be as short as 6 hours where the delivery is at a Hudson River point, or it might be as long as 72 hours. The return trip, light, would of course be of equal length. A round trip from quarry back to quarry would be from 5 to 20 days, depending upon the time taken by the purchaser to unload a scow. Quite frequently when a scow returns light to the quarries, it is several days before it is pulled under the loading shoots for a new cargo.

THE SCOW CAPTAIN AND HIS DUTIES

On each of these scows there is a single employee usually called a scow captain who, as has been said, is in legal contemplation a seaman and as such exempt from the present operation of the Fair Labor Standards Act.

These scow captains have general charge and care of their vessels when going to and from the corporation's plants to points of destination, and when the vessels are tied to piers. They have no duties whatsoever with regard to the cargo except such as may be necessary for the safe transportation thereof. Loading is done entirely by others and the measurement and the taking of receipts for the cargo upon delivery are duties performed by others, so that the captains have no duties with regard to delivery. The unloading itself is done by the purchaser of the material.

The captain's duties when vessels are under way include the handling of lines when necessary to meet the conditions of the tow; include whatever may be necessary because of inclemency of storminess of weather; include the display of proper lights and proper warnings in case of fog or other interference with visibility; and include pumping in case of leaks. When the boats are fastened to piers, it is the captain's duty generally to care for the vessel and to take in and let out the mooring lines as may be necessary or advisable because of the rise and fall of tides, changes in the current of the water, and as may be necessary by reason of the lightening of the vessel upon the unloading of the cargo.

REASONS WHY THE EXEMPTION SHOULD BE CONTINUED

Very little actual labor is performed by a scow captain under normal circumstances. After the scow has been made a part of the tow at Stoneco or Haverstraw or elsewhere as the case may be, he has little or nothing to do until the tow reaches the terminal at New York City. He may sleep for hours on end, or read or employ his long leisure as he may desire. This leisure is only occasionally disturbed by stress of weather or by the necessity of pumping a boat which has sprung a leak. The same situation obtains upon the return trip when the vessel is light, and to a somewhat less degree when the scow is taken loaded from the down-river terminal to destination and is returned light to the assembly point of the up-river tow. These scow captains in very many cases are in normal times older men who have followed the sea but are no longer able to perform the duties of deep-sea service, although quite able fully to discharge those of scow captain.

Scows are provided with cabins and the scow captains live aboard (as indeed the nature of their duties requires that they should) in many cases with their families.

Whenever a scow is in safe berth either at the plant or at destination and the captains presence is not required for the handling of lines during loading or unloading, or when scows are lying at terminal points of tows, it is always possible for the captain to go ashore for his own purposes, recreational or other.

It is submitted that employment of the character above described should continue to be exempted from the operation of the Fair Labor Standards Act. The very fact that exemptions have been and will continue to be made clearly shows that in the common judgment there are certain occupations to which the act cannot or ought not to be made applicable. The occupation above described is in its very nature one of these.

1. It is clear that far from all of the time which the captain spends aboard is taken up in actual work, the greater part of the time may be devoted to sleep or rest and such recreation and pastime as the circumstances of life aboard, either alone or with his family, will permit. But how to allot these times to labor and to rest is substantially impossible and the allotment would vary from day to day or at least from trip to trip, depending on weather conditions and many other circumstances. It is submitted this is a situation (like the case of an agricultural worker for example) where an over-all wage which takes into account all the contingencies which are likely to arise is fairest to the employer and most advantageous to the employee.

2. Under the circumstances the placing of a second man on board would not be practicable. The amount of actual work to be done would not justify such a move, and such an arrangement would certainly not be as advantageous as adequate over-all pay to a single employee who would in any event be obliged to remain aboard as many hours as at present.

3. In 1943 this corporation was a party to a disputed wage matter heard before the War Shipping Panel of the National War Labor Board (Case No. 111–2435–D). In that case the labor representative and the public representative joined in a finding that: "The establishment of an 8-hour day and 6-day week in the sense in which it exists in ordinary shore plants or in offshore shipping is impracticable; but extra pay for specified work is practicable and justified by changed conditions in the industry."

The industry representative in a dissenting opinion said: "As the panel itself has stated, it is impossible to establish an 8-hour day in these two industries without completely revolutionizing them. It is equally true that any attempt to place the industries on an hourly basis will completely disorganize them and retard rather than accelerate the war effort."

This is in complete agreement with the position which we have taken that the situation here presented calls for an over-all compensation taking into account all the contingencies, including due recognition of Sundays, holidays, and other special situations.

We have seen an excerpt from the statement dated October 4 ,1945, presented to your committee by Mr. L. Metcalfe Walling, administrator of the act, which excerpt covers Mr. Walling's views as to the elimination of the exemption of seamen. Mr. Walling's statement does not address itself at all to the type of employment about which we have been speaking, but we find nothing in his statement inconsistent with what we have said. Generally speaking, the administrator seems to recommend that the subject of eliminating this exemption be carefully studied. We submit that such a careful study will show that as to a situation such as that here presented, the exemption ought clearly to be continued.

Dated New York, October 12, 1945.

Respectfully submitted.

NEW YORK TRAP ROCK CORP.,
By JOSEPH DIEHL FACKENTHAL,
Counsel.

EXHIBIT 42

MISSISSIPPI VALLEY BARGE LINE CO.,
St. Louis, Mo., November 13, 1945.

Hon. JAMES E. MURRAY,
Chairman, Senate Committee on Education and Labor,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: Mr. Chester C. Thompson, president, the American Waterways Operators, Inc., of which organization we are a member, has filed with the subcommittee a comprehensive statement.

This statement very clearly sets out many reasons why the domestic water carriers should be exempt from the provisions of sections 6, 7, 8, and 13 of S. 1349. The subject is so extremely important to our industry that I desire to endorse the views stressed by the American Waterways Operators, Inc., and to emphasize some points advanced by that organization.

1. The increased expense of applying a 40-hour workweek to seamen would eliminate operations on the inland rivers.

2. The inland river operators now have in effect, as a result of collective bargaining, arrangements which permit their boat officers and employees substantial time-off-with-pay periods to compensate for the long tours of duty whilst the men are actually on the boats.

We direct attention to the written presentation of Mr. Howard McKenzie of the National Maritime Union, CIO (with which union our company holds contracts), to the effect that the carriers operating on the rivers could not, because of space limitations, carry sufficient men to stand four 6-hour watches.

Then Mr. McKenzie goes on to say:

"* * * constructive compliance with the 40-hour provision of the bill can be secured in another way. The towboat companies have themselves shown how. The method needs only to be improved and extended.

"As stated, the towboat and barge companies allow their men, in lieu of short hours or weekly rest days, a number of paid leave days monthly. These paid free days range in number with different companies from 60 to 122 a year. There is no valid reason for either the diversity or the smallness of these numbers.

"The Fair Labor Standards Act now requires payment at the ratio of time and one-half for all hours worked beyond a 40-hour week. If the boatmen must work an 84-hour week, they should be compensated by being allowed paid free time in the same ratio—an hour and one-half for every hour worked beyond 40 weekly.

"*To give the men credit for time and one-half, the number of leave days for all of them needs to be increased to 122 a year, the present maximum in some companies. In this way the practical difficulties of providing a rigorous 40-hour week on these types of boats could be overcome with substantial justice to the men.*" [Italics supplied.]

We accept this reasoning and urge that seamen be continued as exempt from the provisions of the act.

The manner of working out reasonable hours of service for employees on the inland rivers should be worked out by the employers and the representatives of the employees.

Since both parties (employees and employers) urge this, I trust your honorable committee will so provide.

Very truly yours,

L. W. CHILDRESS.

EXHIBIT 43

CUMMER SONS CYPRESS CO.,
Jacksonville 1, Fla., September 10, 1945.

The Honorable CLAUDE PEPPER,
United States Senate, Senate Office Building,
Washington, D. C.

DEAR MR. PEPPER: It is with vital interest and great concern that we have viewed the recent trend toward the high minimum wage and the so-called decent standard of living, and with all due respect to that trend, there are certain effects that it will produce in the South, and in our basic industries, that should be definitely considered.

For over 50 years our two companies have operated in Florida producing lumber, crate material, limerock, and formerly phosphate. We have and do employ close to a thousand employees, and own holdings, and operate in 16 counties of this State. Our operations, as are all producers of raw material, are wholly dependent upon satisfied and productive labor.

The national tendency in the last 10 years is destroying in the South, these two qualities. Our labor, especially Negro labor, is not satisfied, for he is being given ideas and equality far beyond his mental and physical qualities to grasp them. And, moreover, the productivenss of our labor is being lessened, and conversely enough—notwithstanding all economic ideas to the contrary—this is due to the steadily rising minimum wage, shorter working hours, and overtime payments.

Southern industry like ours has been built upon labor—cheap labor by other standards maybe—but not cheap considering their productiveness and the cost of living in the South. In our particular industry, due to the type of timber, terrain, and operating facilities, lumber workers in the North and West produce from three to six times as much lumber per man-hour as our labor does. Quite naturally, employers there have a much higher type of labor than we and can afford to pay them proportionately.

In the last 10 years the basic minimum wage in the South has risen from 20 cents per hour to 50 cents per hour, and the southern producer of raw materials—the industrial "backbone" of the South—has been placed in a more disadvantageous position than ever before.

If a 60 or 65 cent per hour minimum is established, we can see nothing but a shutting down of all our operations and resulting unemployment. This is a certain fact, for now the Office of Price Administration arbitrarily refuses to grant us any increase on our cypress lumber, after long and disappointing negotiations.

And when these onerous restrictions are removed, keen competition from lumber produced in other sections and cheaper substitutes will keep our prices down.

Lumber and lumber products from the west coast will move into Florida by water and will be placed on the market at a lesser price than our cypress lumber, if we have to bear this additional labor cost. Wallboard, gypsum board, metal substitutes—all these and a host of other materials have been kept from our markets to a certain extent, but with higher costs of production the bulk of these markets will be lost. This point cannot be emphasized too much. And, if we are faced with a greatly increased labor rate, one that will tend to destroy pay differentials for specific skills and raise our cost of production alarmingly, we see nothing but chaos to our types of industry.

You are interested in this problem, and we seek your assistance. The South must be given consideration; conditions warrant that, and a basic wage of 50 cents an hour is more than equitable considering the class and productiveness of our labor and the lower costs of living in this region.

We welcome your comments on this matter, knowing it is fundamental to your representation of this State.

Thanking you for this and your other helpful assistance.

Most sincerely,

CUMMER SONS CYPRESS CO.,
EDWARD C. ROE,
Vice President and General Manager.

EXHIBIT 44

UNITED STATES SENATE,
October 4, 1945.

HON. JAMES M. TUNNELL,
United States Senate, Washington, D. C.

DEAR SENATOR TUNNELL: As you know, Senator Thomas is presently en route to Paris where he will attend the conference of the International Labor Organization being held from October 15 to November 7.

In the Senator's absence, the enclosed letter has been received which I feel sure he would want me to refer to you and your committee for consideration in connection with the hearings now being conducted. Since the writer of the letter is a good friend of the Senator and a former Utahan, I know he would appreciate your giving the matter careful attention.

And if it is in order, may I request that said letter be made a matter of record and be included in the hearings.

Respectfully yours,

ELAINE F. HATCH,
(For Elbert D. Thomas).

(Enclosure.)

C. BREWER & CO., LTD.,
Honolulu, Hawaii, September 27, 1945.

Senator ELBERT D. THOMAS,
Senate Office Building, Washington, D. C.

DEAR SENATOR: The war is over with us out here, too, and we find it necessary again to attend to our businesses and the many problems confronting them. Consequently, this is a business letter and I hope that you will forgive me for discussing the same during these days of such tremendous national and international problems, but, very briefly, the sugar industry out here has asked me to write you presenting one of their gravest of problems.

The industry has struggled to keep going during the war and at the same time to participate to the fullest in the defense of these islands. They have lost substantial numbers of their help, but nevertheless, have been able to turn in a better sugar production performance than almost any other area. For the sugar industry there has been no war profits as the same tight price ceiling clamped down on sugar returns in the case of beet sugar was likewise applied to the same extent in the case of cane sugar. You, of course, are familiar with how beet production has severely suffered due to the greater subsidies given to the production of other farm products. The beet growers on the whole did not suffer due to the lack of sufficient beet subsidy but, instead, switched to the higher paying produce. This has not been the case with Hawaiian producers. They have not acquired the fat that so many corporations engaged in the production of war matériel have put on their corporate bodies, and they face the coming transition period

from war to peace with rising labor and material costs over which they have no control and which will keep them struggling to stay in business unless a substantially higher sugar price is permitted. The present price for Hawaiian cane sugar is a little over 5 cents per pound, and for next year increased support payments, if authorized, will raise the price, approximately, one-half cent more. As a result of recent union contracts entered into, the estimated wage bill for the Hawaiian sugar industry for 1945 will come to around $40,000,000. Inasmuch as the wage bill constitutes, approximately, one-half of the cost of producing sugar out here, you can readily see that the industry with the production of an estimated 850,000 tons is going to have a pretty close squeak after it pays all the heavy taxes it is subject to.

It is understood that there is pending in Congress legislation for increasing the wage minimum under the Wage and Hour Act to 65 cents. It would have the effect in our local sugar industry of raising the minimum wage 50 percent. This, on the face, would not appear too burdensome if it were not for the fact that when the minimum is increased all other and higher rates are proportionately increased, and it is estimated that the industry's pay roll would jump from $40,000,000 to, approximately, $67,000,000 for 1946 under such a raise. Assuming that material and other costs proportionately increased then it would create production costs of approximately, $130,000,000, which on an 850,000-ton production at, approximately, 5½ cents per pound would soon put the industry out of business regardless of the fact that there is a great need for sugar both nationally and internationally. Consequently, if there was such a minimum wage increase it would require a price of a least 7 cents per pound for the industry to keep in business and see daylight.

Some relief might be afforded the industry, both now and in case of the proposed future increase in the minimum wage, if perquisites allowed as part of wages paid were put on a value to the employee basis rather than on the cost figure as originally paid by the employer basis. That is to say, that if in the Wage and Hour Act the section providing for the perquisite allowance could be amended so as to permit the perquisite allowance to be computed on the basis that it would cost the employee to furnish such perquisites for himself, then a more realistic recognition could be given to this form of compensation received by an employee when he works on an Hawaiian sugar plantation.

Historically, the perquisite provision was set up at cost during those early days of 1934, 1935, and 1936, when building costs, taxes, and other costs were fairly under control and were not considered out of line with actual commodity prices, particularly the commodity price Hawaii is interested in, namely, sugar.

At this time there has been complete dislocation and unbalancing of the relationship between commodity prices, particularly that of sugar, and all those values entering into the type of perquisites furnished by the local industry. Obviously, building costs and values today are far in excess of building costs of the middle 1930's. Replacement costs today generally reflect a 75 to 100 percent increase over the 1934–36 costs. It would hardly be fair to keep the perquisite measuring stick tied to the middle 1930's if cash wages payable by the employer are tied to the conditions and employee's cost of living existing in 1945.

At present, plantation perquisites out here are universally computed at 6 cents per hour. Measured by what it would cost the employee in case he had to furnish these perquisites himself there would be an increase to a figure somewhere between 15 cents and 20 cents per hour. Unlike many other agricultural areas these perquisites are not only desirable to the employee but provide him with a great saving in family costs in a way most conducive to his health and security. They include housing, hospital, and medical care for the employee and his family—water, fuel, and many indirect services such as recreational halls, social service, gardens, either with his home or in community plots, etc. Accordingly, it is felt by the industry here that they have given to their employees something that no other industry has done on such a uniformly over-all program. They provide for higher health standards and greater social security contentment than can be found in any other agricultural areas and probably in any industrial areas of similar large-scale employment.

This has been a long letter and I apologize for it knowing that you have so many matters to attend to but, if, in the consideration of the increased wage provision under the Wage and Hour Act, the application of the perquisite allowance could be changed to a more realistic application it would be greatly appreciated by the local sugar industry and would help to absorb some of the impact anticipated from the proposed minimum wage increase.

With much aloha.

Very truly yours,

C. BREWER & CO., LTD.,
H. T. KAY, *Vice President.*

EXHIBIT 45

TESTIMONY PREPARED FOR THE HEARING ON THE AMENDMENT TO THE FAIR LABOR STANDARDS ACT BY LEMPI K. MATTHEWS, PRESIDENT, NATIONAL BUSINESS AND PROFESSIONAL COUNCIL, Y. W. C. A., AND ELSA G. GRAVES, CHAIRMAN, NATIONAL INDUSTRIAL COUNCIL, YWCA

I speak for the 258,000 young women who earn their livings in business and industry who are in the educational and recreational program of the Young Women's Christian Association in 421 communities in this country.

There has already been presented to this committee a great deal of statistical data on the increase in the cost of living and the numbers of people living on marginal or substandard incomes in this country. Rather than add, for example, to the testimony of Mr. Hinrichs, acting head of the Bureau of Labor Statistics, presented to you Friday, my main emphasis will be to underscore the importance of some of those figures by translating them into the everyday experience of business and industrial girls in the YWCA.

About a year ago the national business and professional council of the YWCA made a Nation-wide sampling of the budgets of white-collar workers to determine how they were meeting rising living costs. For my own curiosity I made a comparison of the data provided by those girls who were earning $119 a month or less (the ones who would be directly affected by the passage of this amendment to the Fair Labor Standards Act) and the cost of living survey made by the New York State Department of Labor in order to determine the annual cost of adequate maintenance and protection of health for the woman worker living as a member of a family in that State in 1944. The comparison interested me and I would like to record it here:

	New York State survey	Y. W. C. A. budget survey
Housing and food	$448.89	$328.60
Clothing	249.06	122.28
Clothing upkeep	23.05	26.16
Income taxes and war bonds or savings	397.26	200.52
Insurance	45.18	43.80
Leisure time activities	120.05	99.00
Personal appearance	44.29	29.52
Medical care	66.42	53.88

The same type of schedule was not used in both surveys, so I have only contrasted the items for which the figures were truly comparable. You will note that in every instance but one, these YWCA girls were spending less than the amount recommended for an adequate budget for a New York State girl. That one item is clothing upkeep, which is understandable when you also note that the amount our business girls were spending on clothing was less than half the amount recommended as adequate. The medical care item is thrown off, too, by the fact one girl earning $79 a month was paying out $14 of that monthly for medical care. It seemed to me as I looked at the figures as if she were paying for an operation. Eliminating her costs from the total, the average annual expenditures for this group of girls for medical care is $44.16.

The question of medical care is of especial concern to us because our survey shows that too many girls spend absolutely nothing on the doctor, the dentist, and the oculist in the course of a year. Most of us are still young and healthy so we theoretically "get by" without this care, but we are obviously ignoring the injunctions to have an annual physical check-up and to see our dentist twice a year. Undoubtedly there is a connection, too, with this lack of medical care on the part of workers in this income range and the fact that the average woman

worker in this country lost more than 13 days because of illness or injury in 1943. The economic waste in this is great in addition to what it means to the individual concerned.

We, in the YWCA, like to think of the American standard of living as meaning more than existence, as guaranteeing an opportunity for rich, creative living. When I think of my own inability to buy the books or the symphony tickets I would like to buy, I am concerned about that $99 for leisure-time activities, an over-all term which has to include vacation, education, club dues, sports, theater, and so on. With the shorter workweek coming into practice again, there will be more leisure time, but can we use it profitably? Of course, hiking is free, but that wears out your shoes—and think of the clothing item.

The clothing item is really a headache to the working girl. According to a bulletin of the Bureau of Labor Statistics, the relative cost of clothing had risen 36 percent by April 1944 over the level of August 1939. That means a lot in dollars and cents to us, particularly to those of us earning less than 65 cents an hour. What costs us even more money is the deterioration in quality which means more frequent replacement. Take the blouse I am wearing this morning. I paid $2 for it 4 years ago, and it still looks quite respectable. I have at home two other blouses for which I had to pay $3 each, which are so sleazy after several launderings that I deliberately chose to wear this old blouse in order to make a decent appearance.

I should like to point up this cost-of-living problem by sharing with you the budget of a friend of mine who earns her living as a mimeograph operator in a large Middle Western city. She earns $105 a month, or about 63 cents an hour, thus most nearly approximating the 65 cents an hour proposed in this amendment. She shares an apartment and has one dependent. This is her budget—and note the omissions:

Amount spent per month for—	
(a) Rent	$27.00
Food	27.00
Household expenses (utilities)	2.00
(b) Transportation	6.00
(c) Health (medical, dental, optical)	------
(d) Personal appearance	3.00
(e) Clothing	15.00
(f) Upkeep of clothing	5.00
(g) Recreation	4.50
(h) Education	------
(i) Church and charity	------
(j) Savings, bond deductions	------
(k) Insurance; hospitalization	------
(l) Vacation	------
(m) Taxes	3.20
(n) Miscellaneous	4.00
(o) Contribution to dependents	9.00
Total	105.70

That tells the story, doesn't it? Unfortunately, it is not unique. A laundry worker, belonging to a club in the St. Louis YWCA, tells us she averages $20 a week for a 6-day week, 9 to 10 hours a day. On this she supports herself and an invalid husband. A power-machine operator who is a member of the Detroit YWCA supports three children and her mother on 67½ cents an hour. I wonder if "supports" is the right word. Too often people think women are working for pin money and forget that even before the war one-fifth of the women workers in the United States were the principle wage earners in their families. As an aftermath of the war, this percentage will inevitably be increased.

Another reason why the business and industrial girls in the YWCA are interested in the passage of this amendment is the effect it will inevitably have on the wages of those women who work in intrastate commerce. We are pleased to know that next week the Department of Labor and Industries in the State of Washington will begin hearings on a proposal of a minimum-pay scale of not less than 75 cents per hour for women workers. I wish other States would do likewise, particularly my own State of Illinois. I was discouraged to read

the following official Illinois figures on average weekly earnings of women workers in 1944:

Department and variety stores	$12.17
Retail apparel stores	24.43
Hotels	19.80
Restaurants	19.44
Laundries and cleaning and dyeing	21.13

Every one of them is under 65 cents an hour, and some of them a long ways under.

We believe, too, that raising the minimum hourly pay for those workers engaged in interstate commerce will have its effect also in other fields such as school teaching. We have a goodly number of teacher in our business and professional constituency in the YWCA and we share their concern that almost 50,000 teachers left that profession for other jobs between Pearl Harbor and June 1944. It is a disgrace to America that 5 percent of the country's teachers were paid less than $600 a year for their teaching activities. It's not only a disgrace, it's a tragedy—not only those teachers, but America is poorer thereby.

I would like to emphasize the fact, too, that this is not a new problem. The rising cost of living during these war years has accentuated it, but the struggle to make ends meet has long been with us. Back in 1940 the Baltimore YWCA made a study of women white-collar workers in that city which demonstrated that these workers were underpaid in relation to the cost of living. The same year the Women's Bureau of the United States Department of Labor made a study of office workers in 5 cities which showed that 18.6 percent of the 36,800 women office workers were earning under $75 a month. In February 1941, the Business and Professional Department of the Chicago YWCA to which I belong collected data from 241 of our club members which showed that 70 out of the 241 were not paid for sick leave, 163 did not have hospitalization, 91 were unable to save any money and 175 of the 241 earned $100 a month or less. Let us not think, therefore, that wartime conditions alone produce strained pocketbooks.

We have farm women in our YWCA membership, also, and they are very well aware of the study by the Bureau of Agricultural Economics which demonstrated that when city income goes up, farm income goes up even faster and further. They have a very real interest, therefore, in the adoption of this amendment.

Speaking of farm income reminds me of something else. It is often claimed that wage increases of this sort are inflationary. I hardly see how a slight addition to some of the budgets I have quoted would have any inflationary effect, but may I call your attention to the study made by the Federal Trade Commission of the costs involved in making a combine. That's what the farm women reminded me of. The complete break-down of costs in producing a combine which cost the farmer $638, was as follows:

Material	$174.27
Labor	46.43
Factory overhead	93.07
Manufacturer's distribution	57.96
Manufacturer's margin	85.77
Dealer's discount for cash	30.50
Retail dealer's margin	122.00
Freight	28.00
Cost to farmer	638.00

In other words, actual factory labor was only 7.3 percent of the price the farmer paid. There would seem to be some margins on those figures which would allow for wage increases without increasing prices. The cost of producing other articles might well be similarly scrutinized.

In conclusion I would like to go on record for myself and the National Business and Professional and Industrial Councils of the YWCA as heartily endorsing this statement made by Mr. John W. Snyder, Director, Office of War Mobilization and Reconversion, on August 14, 1945:

"Wage and price increases will be allowed to correct substandard pay scales, to relieve hardships of individual workers and enterprises and where necessary to stimulate increased production.

"In order to speed reconversion and to mitigate the extremes of hardship during the transition period, a number of legislative enactments are needed. These include revision of the Fair Labor Standards Act to increase minimum wages."

Mrs. Lempi K. Matthews,
President, National Business and Professional Council of the YWCA.
(Cosigned) Elsa G. Graves,
Chairman, National Industrial Council of the YWCA.

Exhibit 46

Testimony of Francis W. McPeek on Behalf of S. 1349, the Minimum Wage Bill, Presented to a Subcommittee of the Senate Committee on Education and Labor

The church of Jesus Christ has preached the doctrine that the welfare and security of the family is the first principle of Christian social concern. The wage rate on which the family income is based has a profound influence on the security of the home. Substandard wages spell malnutrition, poor health, slum life, and the spiritual frustration that goes with such an existence.

Substandard wages work special hardship on our Nation's children. When the wage rate is low the father, and often the mother as well, is forced to work long and frequently irregular hours in order to make ends meet. Children are left for extensive periods without the care and companionship of their parents. Studies show that one of the major causes of juvenile delinquency is the constant absence from home of both working parents.

Child labor also comes mainly from homes struggling to maintain life on substandard wages. Our churches have worked for many years, especially through the home missions council, to help wipe out the evils of oppressive child labor. Much ground has been gained. But child labor will never be done away with until the parents of working children can count on wages sufficient to bring security and a decent standard of living to their homes.

For these reasons we consider that a minimum-wage law which will make possible a minimum decent standard of living for all American homes is a principle which Christian citizens should wholeheartedly support. The late Father John Ryan, one of the profound Christian social thinkers of our time, said: "The state has both the right and the duty to compel all employers to pay a living wage."

Our own National Council of Congregational Churches of the United States as early as 1925 stated, "Translating the ideal of Jesus into industry and economic relationships means: That the first charge upon industry should be a minimum comfort wage and that all labor should give an honest day's work for an honest day's pay."

The Fair Labor Standards Act of 1938 was one of the first great steps toward this goal. The minimum wage of 40 cents, established at that time, was considered barely adequate for health and decency even then, but because extremely low wages were so widespread, it was felt that 40 cents was the highest minimum that could be achieved at first.

Since that time living costs have risen precipitously, so that the 40-cent minimum is seriously inadequate. The most conservative estimate of the present cost of maintaining a family of four at minimum standards of decency and health comes to $1,621.41 (Textile Workers Union emergency budget), or an average hourly wage of 78 cents per hour. Such a budget allows nothing for savings, for recration, for emergency medical expenses, for any purchases beyond the minimal day-to-day family requirements for maintaining bodily existence.

The new minimum wage of 65 cents per hour, and 75 cents per hour after 2 years, as proposed in S. 1349, is therefore the lowest wage rate possible to supply basic family needs under present conditions. The passage of S. 1349 is the next urgently needed step toward the goal of a living wage for all working citizens. The legislative committee of the Council for Social Action of the Congregational Christian Churches wholeheartedly supports this measure, and urges its early adoption.

We commend especially the provisions of the bill which extend the protection of minimum-wage laws for the first time to seamen, cannery, and other processing workers. We look to the time when all wage earners will be brought under the protection of minimum-wage legislation.

American industry faces the postwar period with enormously expanded plant capacity, its output per worker multiplied, and its profits and reserves higher than at any time since the depression. It is our conviction, after close study of the facts, that the 65-cent minimum wage can be instituted generally without being passed on to the consumer in the form of higher prices. Higher wage standards will bring increased purchasing power, and on the maintenance of high and steady purchasing power our productive economy depends. A decent living wage is not only a moral necessity for the welfare of the American family; it is sound business for American industry.

Exhibit 47

Statement of American Communications Association, CIO, on S. 1349

I appear here today on behalf of my organization to heartily support amendments to the Fair Labor Standards Act raising minimum wages to 65 cents and broadening coverage of the act to give protection to millions of workers now excluded.

In view of previous testimony by other CIO unions, I shall limit myself to merely mentioning the fact that 65 cents today is approximately the same, in terms of present-day purchasing power and worker productivity, as was 40 cents some years ago. Further, it is not difficult to visualize the tremendous difficulties encountered by workers who try to maintain themselves and their families on $26 a week or less.

The communications industry, as I shall demonstrate later, offers eloquent proof of the need for raising the statutory floor under wages as rapidly as possible.

When the act was first passed, we did not have a full-employment economy. Millions of Americans were unemployed, ill-fed, ill-clad, and ill-housed. Since that time, and particularly during the war, our productive capacity has so expanded that we come face to face with the necessity to choose either of the alternatives. Are we going to make use of our increased productivity and our increased production for a peaceful prosperous world, or are we going into a tailspin of contraction, with the perspective of another war to bail out the American economy?

When fighting with guns for the survival of our American way of life, we achieved a full employment, full-production economy in our economy which reached previously undreamed of levels. Now, in peace, our American way of life is equally threatened by unemployment, low wages, and depressions. This is a decisive moment in history, and favorable action on this bill will substantially contribute to answering the question of whether we can live decently in peace, or whether the American economy requires wars and the manufacture of implements of death to make it work.

To choose full production and full employments means to make possible the purchase of the goods which our industries can produce by paying wages high enough to permit ever-increasing consumption. A minimum wage of 65 cents, to be increased to 75 cents in 2 years, is a step in the direction of full employment and increased purchasing power, for the maintenance of a healthy, full-production economy. Failure to modernize wage policy, that is, the retention of obsolete minima and insistence upon wage cuts will so reduce the purchasing power of the American people as to result in mass unemployment, wholesale contraction of industry, and a very bitter and chaotic condition throughout the entire country.

Inasmuch as the communications industry has upwards of half a million employees, the enactment of this legislation would have an immediate and salutary effect upon a substantial group of people in every community throughout the country. Approximately 30 percent of the employees in the industry receive less than 65 cents an hour, 34 percent less than 60 cents, and tens of thousands earn less than 50 cents. While some improvements in wage rates did take place during the war, this increase in no way matched the increase in living costs and worker productivity. The wages paid by the two major companies in the communications industry, telephone, and telegraph, run as follows:

The average hourly wage rate throughout the Western Union system is less than 69 cents per hour. Over 55 percent of all the employees receive less than

65 cents per hour; 49½ percent less than 60 cents; 26.6 under 50 cents; and 19.3 percent less than 45 cents. Highly skilled telegraph workers with many years of experience are today being paid the disgraceful sum of 47 cents per hour in many localities throughout the country. The average hourly rate throughout the country for higly skilled experienced telegraph operators is in the neighborhood of 63 cents per hour. The starting rate for all classes of employees is, in many areas, the present legal minimum of 40 cents.

In New York City, generally believed to be a relatively high-wage area, more than half of the company's 7,000 employees receive less than 65 cents an hour. Skilled operators who require a considerable period of training and who have as much as 3 years of experience, receive as little as 60 cents an hour. These skilled employees earn $24 a week, before tax and other deductions. Nearly 30 percent of the people still receive less than 55 cents an hour, a wage long ago designated as substandard by the War Labor Board. The giant telephone company, one of the richest corporations in the world, still pays 31.5 percent of its employees less than 60 cents an hour. It is only recently, toward the end of the war, that starting rates for key classifications in telephone were raised to 50 cents. In some of our largest industrial cities, telephone operators must work more than 3 years before achieving a 65-cent rate. Smaller but important cities have telephone operators working 5 years to reach the sum of 65 cents an hour. In less densely populated communities, starting rates are lower, wage progression periods further apart, and the 65-cent rate is not reached for a good many years. There is nothing to even remotely justify the kind of depressed wages being paid in the comunications industry. The companies frequently attempt to recruit workers by holding out the attraction of guaranteed, steady employment. The fact is that communications workers have no more job security than any other group of American workers and less than many. In common with their fellow-laborers, they are subject to the hazard of unemployment through reduction in volume of business, depressions, and speed-up. This is amply illustrated by the record of telegraph and telephone employment in the thirties.

In the 10-year period from 1930 to 1940 the number of employees in the telegraph industry declined by approximately 40 percent. Technological displacement does not account for this loss. The change-over from strictly manual operation to a mechanized form of transmission had largely been completed during the twenties. While the volume of business fluctuated considerably during this period, the output per worker steadily increased. Thus, speed-up accomplished substantial savings for the companies. Since 1940 telegraph employment increased slightly, but nothing like the same extent as did telegraph volume.

The telephone monopoly offers the most dramatic example of corporate reverence for profits and dividends sweated out of the backs of its employees. In 1930, when Bell business was at its peak, 16 percent of the employees were fired (60,000 workers). This was done solely for the purpose of supporting an expanded capital investment, and to maintain the sacred $9 Bell dividend. During the following 3 years, when the volume of business declined, the working force was reduced by one-third of the 1929 figure. Over and above the decline in employment as a result of speed-up and the falling off of traffic, beginning in the early thirties, the introduction of the dial system eliminated 6 manual operators for every dial switchboard operator retained. During the 5 years ending in 1935, while about one-fifth of the employees in the company were eliminated (70,000), total dividend payments by A. T. & T. increased by 45 percent.

By 1937, when telephone busines surpassed all previous high levels, the company employed 25 percent less people than it did in 1929. Even with the unprecedented volume of traffic which the company enjoyed in the war period, the total employment in the Bell System was about 6 percent lower in 1944 than in 1929. The volume of traffic, however, had increased by approximately 35 percent over 1929.

More than most industries, communications is one in which mechanization develops constantly and rapidly, and with it comes an increasing threat of unemployment to the workers. The companies today are putting into operation technological improvements which will result in the displacement of a large proportion of toll operators in the telephone industry, while telegraph workers face large-scale displacement through the use of new technological devices.

Just a word about the pension and benefit plans to which the industry so frequently points as proof of the kindness of its heart. These plans are something of a fraud perpetrated upon both the American people and the employees in the industry. The Bell System plan is paid for by the telephone-using public in that all costs of the plan are charged to operating expenses which are reflected in rates. In addition, it is totally at the option of the company whether benefits are paid. Employees have no representation on the plan and only the company decides who, when, how much, or if a worker shall receive benefits.

The Western Union pension plan follows the same general pattern, except that it is closed for all employees who entered the service after 1936. At the present time this group comprises some 60 percent of the total force. Even those people who still retain nominal coverage actually find whatever security they enjoy through the Social Security System, since that is the only guarantee they have of any pension whatsoever.

MESSENGERS

The Western Union Co. urges that Congress sanction the employment of child labor for messenger work, and that children under 18 years of age so employed be excluded from minimum-wage provisions of the Fair Labor Standards Act. In attempting to argue its case the company states:

"Regardless of the minimum wage, the best messengers from the point of view of service to the public are young ones * * *"

I submit a list of instructions which Western Union hands to each messenger describing his duties. This is only one of a series of such instructions and is headed "These Things Will Help You Deliver Telegrams."

"When no one is home:

"1. Try both front and rear doors.

"If apartment, ring superintendent or another apartment, same floor, to gain admittance and make further inquiry.

"2. Confirm with neighbors that address is correct and find out—
When will he return; (Always use name to which message is addressed.)
Where can he be reached? Or where does he work?
If out of town, is his forwarding address known; if not who might know it?

"When not found at address given:

"1. If unknown or no such number—
Inquire of neighbors.
Ask at nearby stores.
Inquire at post office if in the neighborhood.
Ask mail man, milk man, or laundry man you may see making deliveries in the vicinity.
Check telephone book for address.

"2. If moved and unable to get new address, find out—
Where did he work?
What friends might know his address?
What company moved him?
What concern delivered his milk or laundry?
From whom did he rent or what agent sold his house?
What church did he attend?
What school did his children attend?
With what stores did he trade?

"3. If you secure the new address in the neighborhood, make the delivery, write the new address on delivery sheet, and tell the clerk at your office when you return.

"Follow your instructions about making tag delivery and how to leave tags."

This is work which the telegraph monopoly proposes to impose upon children, and at substandard wages.

The number of messengers today is much lower than before the war and reflects the wartime shortage arising from the substandard wage rates paid for this work. Eleven thousand messengers, which represents messenger employment by the merged company, today compares with a total for the industry of about 20,000 in 1938 despite the increase in messenger load.

The reports on speed of service of the Federal Communications Commission during the war period have attributed the very great deterioration in speed of telegraph service to labor shortages. And the messengers, being an essential link between the customer and the public telegraph offices, have been the weakest link in the chain.

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As part of its mechanization program, the company intends to eliminate large numbers of messengers.

In his annual report to the stockholders the president of the company declared:

"Telegraph communication * * * has * * * the problem of providing convenient and rapid ways of getting a message from the individual sender to the nearest telegraph office and of delivering it to the addresses at the destination. For the postwar period Western Union plans greater use of tie-lines which connect a customer's office by direct wire with the company's operating rooms for sending or receiving messages. Establishment of telefax stations in business and residential districts, already experimented with on a restricted scale, also is planned to save time in the local handling of messages * * *." This statement indicates, among other things, that the cost of raising messenger wages to the statutory minimum will be smaller than stated and will decline progressively. But Western Union comes before Congress, hat in hand, seeking the right to drive down the wages of messengers, many of whom they intend to eliminate soon anyway.

On the child-labor aspect, I should like to quote from Mr. Justice Murphy's dissenting opinion when the Supreme Court in October 1944 decided that Western Union might use "oppressive child labor" as the term is defined in the Fair Labor Standards Act.

"By reading into the Fair Labor Standards Act an exception that Congress never intended or specified, this Court has today granted the Western Union Telegraph Co. a special dispensation to utilize the channels of interstate commerce while employing admittedly oppressive child labor. Such a result is reached, to borrow the words of the majority opinion, "by a series of interpretations so far-fetched and forced as to bring into question the candor of Congress as well as the integrity of the interpretative process."

"In approaching the problem of whether Western Union is a producer of goods shipped in interstate commerce we should not be unmindful of the humanitarian purposes which led Congress to adopt S. 12 (a). Oppressive child labor in any industry is a reversion to an out-moded and degenerate code of economic and social behavior. In the words of the Chief Executive, 'A self-supporting and self-respecting democracy can plead no justification for the existence of child labor. * * * All but the hopelessly reactionary will agree that to conserve our primary resources of manpower, Government must have some control over * * * the evil of child labor. * * *' Message of the President to Congress, May 24, 1937, House Document No. 255 (75th Cong., 1st sess.), page 2. Congress sought in S. 12 (a) to translate these sentiments from rhetoric to law. That it may not have done so to the full limits of its constitutional power is not of controlling significance here. It matters only that courts should not disregard the legislative motive in interpreting and applying the statutory provisions that were adopted. If the existence of oppressive child labor in a particular instance falls within the obvious intent and spirit of S. 12 (a) we should not be too meticulous and exacting in dealing with the statutory language. To sacrifice social gains for the sake of grammatical perfection is not in keeping with the high traditions of the interpretative process."

"The language of S 12 (a) when viewed realistically and with due regard for its purpose, compels the conclusion that Western Union has been guilty of a violation of the child-labor provisions. Oppressive child-labor conditions are admitted and the only issue concerns the application of the words "goods" "producer," and "ships" to the activities of Western Union."

I may add that Justices Black, Douglas, and Rutledge joined in this dissent.

At the present time, Western Union is taking full advantage of the failure of the Supreme Court and the Congress to outlaw child labor in the telegraph industry. More than 15 percent of its present messengers are under 16 years of age.

Section 14 of the Fair Labor Standards Act contains some language which the companies have sought to take advantage of to permit them to pay, first, less than 25 cents an hour, second, less than 30 cents an hour, and finally, less than 40 cents an hour. Each of these efforts, fortunately, failed.

(1) In October 1938, Western Union, Postal Telegraph, and other telegraph carriers applied for certificates of exemption for messengers. Extensive hearings were held before Mr. William Leiserson, as hearing officer. Because these findings are important even today, in relation to the company's plea for a return to a darker age, I quote briefly from them:

"Western Union asks that 10,065 of its 13,435 messengers be exempted, its proposal to pay specified numbers of the exempted messengers wages ranging from 10 cents to 24 cents per hour being in effect a request for approval by the Administrator of the yields or goals of its present zone rates below 25 cents per hour."

"The messengers employed by Western Union and Postal are not exclusively engaged in delivering letters and messages."

"Foot and bicycle messengers are mainly boys under 21, most of them between 16 and 18 years of age. Motor messengers are generally adults. Eighteen percent of one company's metropolitan messengers reported themselves as having families fully dependent on them for support, and 74 percent were partially supporting families. Some boys are wholly dependent on their earnings from messenger service for their own support."

"Messenger service is a distinctly hazardous occupation, and between 1931 and 1938 no progress had been made toward reducing the number of accidents serious enough to involve loss of time from employment."

"The wage rates ranging down from 24 cents per hour to 10 cents and less, which the Administrator is asked to approve or prescribe, are not the local going wages and not the natural level of labor cost as contended by one of the applicants. They are goals artificially fixed by the companies to yield such earnings as they want their messengers to have. Because the telegraph companies are the largest employers of messengers, who also perform various errand and special services, their wage rates tend to become the local going wages, and to depress the wages of similar labor to levels below the minimum fixed in the act. The applicants do not contend that employment of messengers at less than the statutory minimum is justified because of management obligations to teach them a trade or business.

"The method of setting zone and piece rates used by the companies, combined with their policies of maintaining a large enough force of messengers to provide rest between rounds and a first-class service to patrons, results in depriving messengers of pay for bench time, working hours devoted to the service of the companies in their offices.

"Considering the responsibilities of the messengers for their own self-support or for the support of dependents, their expenses for shoes and bicycles, their occupational hazards, the bench time, and the temporary nature of their employment, they are not fairly remunerated for the services they render to the companies when they receive less than 25 cents per hour; and the wages they do get are not sufficient to maintain the minimum standard necessary for health, efficiency, and general well-being.

"The telegraph companies' policy of maintaining a high rate of labor turnover, of hiring annually practically three times their normal messenger force, does not increase opportunities for employment; and the record is not persuasive that their proposal to lay off messengers, if it should become a necessity, will curtail opportunities for employment."

His conclusions were: "That it is not necesasry, in order to prevent curtailment of opportunities for employment, to provide for the employment of messengers, employed exclusively in delivering letters and messages, under special certificates at wages lower than the minimum wage applicable, under section 6; and that the Administrator is not authorized by section 14 of the act to issue such certificates for the messengers employed by the applicant companies.

"The applications must therefore be denied."

(2) In October 1939, Postal Telegraph filed another application for messenger exemptions, but shortly before the hearing date withdrew its application.

(3) In December 1943, the merged telegraph company opposed the issuance of a 40-cent wage order in the communications industry, but again, the Administrator found that the public interest would be served by overruling the company's pleas. As a result, the 40-cent wage was secured for messengers.

ABILITY TO PAY

Telephone

The Bell system is notoriously one of the richest corporations in the world, with total assets at the end of 1944 amounting to 6½ billion dollars. Dividends declared for the telephone industry in 1926 stood at $190,000,000. At the end of 1944 the figure rose to $339,000,000. The Bell system is a classic example in the United States of sustained profitability, for it has maintained its $9 dividend without interruption for the past 23 years. At a time when the company instituted drastic speed-up of its employees in the early thirties to squeeze more and more profits out of their labors, the Bell system dividend payment increased by 45 percent. The telephone industry can well afford to pay the proposed 65-

and 75-cent minimum wage rates and the effect on its financial position would be negligible.

The perspective for the industry is very bright indeed. There is a large backlog of unfilled telephone orders. There is also the vast expansion which will come about as a result of television, mobile radio telephone service, overseas telephone service and service to farm areas. The use of new microwave radio and carrier techniques will effect tremendous operating and plant economies. In addition, mechanization proceeds apace in the field of land-line telephone. Long-distance dial operation will substantially reduce the cost to the company of completing such calls. Toll dialing will displace three out of every four long-distance operators—in other words, one operator will be required to complete a call where it previously required four. So that, while the industry is in an excellent position to raise minimum wages today, it will, as a result of the above-mentioned factors, be even better able to do so in the future.

The Western Union Co. today is able to raise minimum wages to 65 cents. Company representatives have stated that the cost of this increase would wipe out profits earned by the company, as of last year. We won't attempt to debate the company's figures which in the past we have found to be inaccurate, to put it mildly. However, in considering this question, as well as the future ability of the telegraph industry to pay decent wages, it is necessary to take into account several factors in the company's financial and managerial structure without which one cannot properly estimate its economic condition.

The past history of Western Union has been one of exploitation, low wages, profits to the security holders at the expense of the employees. Western Union is now at a turning point in its history. Either it breaks with the past and becomes a responsible public utility company or it continues its irresponsible past policy of milking the public and the employees. I have shown the extent of low wages paid in this industry today. This situation was even worse in the past, and since the company has been paying out dividends, the employees have been steadily carrying the stockholders on their backs.

The company's policy of substandard wages and understaffing resulted in a great disservice to the American people, who had to accept inferior telegraph service while paying rates inherited from an earlier day when service was substantially better. It is a matter of record that Western Union gave faster service on stock-trading messages 10 years ago than it gave to the highest priority Government telegrams during the war. We raise the question as to whether or not Western Union is acting as a responsible public utility company. When Congress undertook to solve some of the company's financial problems of the industry by the enactment of merger legislation which granted Western Union a monopoly it set down the public interest as the motivating factor in support of its action. The report of the Senate Interstate Commerce Commitee declared: "The approach to the problem must be always from the standpoint of what will benefit the public welfare. It is from this standpoint that the committee recommends the enactment of the telegraph merger bill as being soundly in the public interest." Surely the public welfare demands safeguards for the telegraph users and the employees, rather than exclusive concern with the interests of a handful of security holders. The Federal Communications Commission, after reviewing the merger plans of the companies, found it necessary in its report approving the consolidation, to sound a grave note of warning:

"We have found that merger may be expected to place the domestic telegraph industry on a sounder financial basis than heretofore, and to furnish opportunities for the elimination of obstacles to improve telegraph service at reasonable cost to the public; but we cannot pass over the obvious failure of the management of the proposed merged company to address itself to any specific plans for meeting the demands of users for a record communications service having speed and price standards to which the public is entitled and which will effectively meet the competition of the telephone and the air mail. Attainment of these service objectives, and a generally sound condition, will require radical modifications in Western Union's managerial and fiscal policies and practices, and in facilities and operating practices. The Commission is seriously concerned with the failure of the management to direct its plans and aims to such service objectives."

Within the past several months Western Union embarked on a modernization program which provides for the complete replacement of all the company's plant. Radio relay will replace costly telegraph poles and wire lines for intercity communication between scores of cities throughout the country. Multiple

message transmission via the radio beam technique will effect enormous savings in the cost of handling telegraph messages from point to point of origin and destination. The company will simultaneously continue and accelerate its program to substitute automatic switching transmission for the present system which is largely manual operation. This modernization plan goes through the entire system, not only in the internal, unseen operations of the company, but also in the public office and between public offices and the central operating rooms. Facsimile machines will be employed in lieu of manual pick-up, delivery, and transmission. The technique has so developed that the company is contemplating the use of mobile facsimile units. All of this will result in reduced unit and total costs and therefore in improving the company's ability to pay decent wages. The same modernization plan will lay the basis for a vastly broader scope and improved quality of service for the public, so that the telegraph company can enjoy a larger share of the total communications business. This will have the effect of increasing revenues. Thus ability to pay is improved by this mechanization program both through reducing costs and increasing revenues.

I am not speaking here about theoretical perspectives. The Western Union Co. has already launched this program, and estimates vary only as to when it will be fully completed. As the program progresses, however, the results which I have mentioned will continually take place, and the company's ability to pay will be progressively better each year, beginning as of now.

We firmly believe that the Western Union Co. should develop into a responsible public utility with decent labor standards. In the event that obsolescent, nineteenth-century thinking on the part of this company prevails over twentieth century, modern methods, we believe that the American people, who need and want a rapid-communications system, will no longer tolerate incompetent management and continued requests for congressional hand-outs at the taxpayers' expense, such as their demand for full rate for Government messages; their program seeking repeal of the Post Roads Act; the telegraph merger; special dispensations from minimum-wage provisions for messengers, and so forth. If the company continues to operate on this basis, the American people, the regulatory agencies, and certainly Congress will begin to question the wisdom of continuing to operate that public utility under that management.

In other sections of the industry, radio, point-to-point radio, cable, broadcast—there is no question of the company's ability to pay the wage rates set forth in this legislation.

We therefore can conclude by saying that employees in the communications industry are a highly skilled group of people, whose record of devotion to the public service is outstanding; who have in many cases performed acts of heroism in staying at their posts under conditions of fire, flood, and other disaster; that these people, employed by utilities that have in the main monopoly power in this country, should certainly receive a living wage and are entitled to the American standard of living.

For these reasons we say this legislation is a very important, a most important, step forward in the national policy of our country. We heartily endorse it.

EXCERPT FROM BRIEF OF AMERICAN COMMUNICATIONS ASSOCIATION, CIO, TO NATIONAL WAR LABOR BOARD

If ability to pay is considered to be relevant, we think it elementary justice that the Company should be required to prove and not merely assert its inability to pay the award. The company made not the slightest effort to prove inability to pay. It has repeatedly made that assertion, but it has never even attempted to produce any evidence in support thereof. The evidence, if it exists, is in the possession of the company, and the company is under an obligation to present it.

We are not, in this memorandum, going to attempt to prove that the company has the ability to pay the wage award directed here. We think that such an ability can be proven, but we can hardly do it in the course of a written memorandum without a hearing, without an opportunity to examine and cross-examine witnesses, without an opportunity to make a thorough study of the Company's books, and without much knowledge as to the company's proposed mechanization program.

A few facts are conceded by the company and ought to be called to the Board's attention in the first place.

Prior to 1943, Western Union had a strong financial position. In 1938, the Federal Communications Commission, in denying an application for an increase in certain telegraph rates, said:

"The evidence shows that Western Union has a reasonably sound financial structure, a reasonable ratio of current assets to current liabilities, and a remarkable earning record over a long period of years. While the trend of revenues as compared with the previous year started to decline after the first quarter of 1937, it has not been shown that this downward trend may be expected to continue or that its business is on a permanently lower basis."

The judgment of the Commission was borne out by the fact that the temporary downward trend in 1938 was, in fact, reversed sharply in 1939, and since that time, operating revenues have steadily increased. Income, before taxes, has climbed from $1,380,000 in 1939 to $13,567,000 in 1944, and net income, after taxes, has increased, since 1939, by over 500 percent. Dividends have been paid on outstandng stock for many, many years, with the exception of four of the depression years. Even in 1932, when the company showed a net loss, it managed to squeeze out a dollar a share for dividends and, in recent years, it has been paying dividends regularly.

In 1943, Western Union filed an application with the Federal Communications Commission for leave to merge with Postal Telegraph. Extensive hearings were held before the Commission on that application and many days of testimony were taken bearing on the financial condition of the company. In order to approve the proposed merger, the Commission was required by law to make a finding that the merged carrier would be in sound financial condition. The Commission did so find. We will not here repeat the extended discussion by the Commission of the company's financial situation. It pointed out that for the ten years ending December 31, 1942, a period of nation-wide economic depression, the company had reported a total net income, after taxes, of almost $42,500,000. During the same period, Western Union increased its plant and equipment by almost $14,000,000, reduced its long-term debt by almost $27,500,000, and paid dividends of almost $10,000,000. The Commission found, in accordance with the claims made by Western Union witnesses at the hearing, that the acquisition of Postal's business would result in great savings to the company and in substantially increased profits. It was the company's contention at the hearing that merger would result in additional net income to the merged company of almost $8,000,000 before taxes.

The annual report submitted to the stockholders by the present management of Western Union was far from pessimistic about the future of the company. It was pointed out that, during the year 1944, the first full year after merger, current total assets were increased by $750,000, and current liabilities were reduced by over $10,000,000. A surplus was shown on the balance sheet as of December 31, 1944, in the sum of $62,765,000. Management entered into an extended discussion of plant improvements which were contemplated as soon as the war war over and anticipated greater savings and higher profits in the years to come.

Expert financial opinion outside the company has a similarly high opinion of the company's financial position. A recent prospectus issued by Ira Haupt & Co., a leading member of the New York Stock Exchange, points out that after the war, total earnings of $12 a share are likely. Even assuming a substantial fall-off in business after the war, it was estimated that merger would enable Western Union to achieve savings in its own expenses equivalent to $1.30 a share and to earn on business brought in by Postal, about $2 a share. It was pointed out that the competitive position of Western Union was steadily improving, that between 1932 and 1944, some $42,000,000 worth of debt had been paid off, and that prospective refunding operations for its current debt would result in substantial saving. It was pointed out that the physical plant was in good condition and that the mechanization program under consideration would mean potential expansion and increase, both in business and in earnings. Postwar earning possibilities were rated very high.

We might add, in passing, that the panel report in case 388, likewise, considered the company's contention of lack of ability to pay, and found, again, that the company was in good financial condition. It might also be noted that, despite the the company's fears as to its inability to pay the increases ordered in case 388, in fact it paid not only those increases, and the increases ordered in case 909 (the A. F. of L. case) and also in the so-called wage parity case, and—as the company admits in one of the briefs submitted at the hearing—it even made a slight profit.

So we find that this company is not in bad financial condition—that, on the contrary, it today stands in good financial condition, has a good credit position, has paid dividends regularly, has paid much of its outstanding indebtedness and, therefore, is clearly in a position to pay substantial wage increases.

The company's entire case on inability to pay rests on the assertion that net income, before taxes, in 1944 would have been wiped out had the present wage award been effective at that time. This, again, is an assertion. There is no evidence at all in the record as to how much the present wage award would amount to and, therefore, no way of telling whether the company's assertion, even if we take it as the basis for determination of this question, is accurate.

More basic to the entire question, however, is the fact that Western Union past earnings are absolutely no guide to its future earnings. This company has just announced a major program of postwar mechanization which will, within the next 10 years, completely change its method of operations. Virtually all of the present physical plant of the company will be scrapped and a new plant created which, according to company estimates, will result in faster, more accurate and much more economical service. It is impossible to compare the cost of the wage award with past earnings and come up with anything having the slightest relevance to future earnings, expenses, and income.

As we stated above, the company has completely failed to submit any estimate as to the cost of the proposed wage award. Having had considerable experience with company estimates in the past, we would be loath to accept at face value any estimate made by the company, but at the present we do not even have figures which we can challenge. There is, likewise, nothing in the record as to the savings which would inevitably flow from a wage award which would increase wages and thus provide a more stable labor force and increased productivity of workers. No information appears in the record as to the mechanization program, which was given wide publicity by the press during the very course of the hearings, and no suggestion as to the savings which the company anticipates from such extensive mechanization. In the absence of information on these and many other items, obviously this Board is in no position to find that the company is unable to pay. In the absence of such proof, the Board must deny the company's contention.

We believe that the following questions must be answered before any determination can be made by the Board as to inability to pay:

1. What is the cost of the wage award directed by the regional board?
2. What will be the effect of a higher wage scale on turn-over?

NOTE—Turn-over currently is very high running at about 42 percent a year, exclusive of messengers. About 80 percent of the quits occur among the junior and lower-paid employees. Preliminary surveys by the union indicate that at least 60 percent of the quits are the result of low wages. The increase ordered by the board would probably cut the quit rate at least by 45 or 50 percent.

3. What will be the effect of higher wages and, hence, a lower quit rate on the company expenditure for training?

NOTE.—The company spends $2,700,000 annually for the training of new employees. With a lower quit rate, this figure can be materially cut. At least $1,500,000 can be saved by the company from this source if wages are increased.

4. What will be the effect of a lower quit rate on premium overtime pay?

NOTE.—At the present time about 29.5 percent of the company's pay roll, both locally and Nation-wide, is expended for premium pay under the Fair Labor Standards Act. In New York, this amounts to about $3,600,000 annually and, for the rest of the Nation, to about $22,750,000. Of course, all of this could not be eliminated even were there no force shortage, since about half of it is guaranteed under existing labor contracts, and a certain percentage of overtime is probably inevitable in the telegraph industry. There is no doubt, however, that with the decrease in force shortage which would result from higher wages, savings between $5,000,000 and $7,500,000 could be made annually in the premium overtime bill of the company.

5. What would be the effect of higher wages and, hence, a more stable force, on absenteeism, and what is the present cost of such absenteeism?

NOTE.—Many employees currently are working between 60 and 70 hours a week regularly. This company is no exception to the general rule that a high rate of absenteeism inevitably follows upon such a working schedule. A more stable force would cut down absenteeism and result in a substantial saving to the company. We are not in possession of any facts which would justify even a guess as to the savings in this direction.

6. What other savings in operations would result from a more stable labor force?

NOTE.—Some of these savings may be imponderable but are nonetheless real. For example, a more stable working force would result in greater speed of service and, hence, more satisfactory service, and thus would enable the company to maintain its position in the face of competition from other forms of communications. Other items of savings could undoubtedly be estimated, had we sufficient information on hand. For example, many of the older employees could be pensioned at substantial savings to the company if it were not confronted with a serious force shortage. Premium pay on holidays could likewise be cut down.

7. What are the prospective profits for the year 1945?

NOTE.—The company has introduced evidence that its profits, before taxes, in 1944 amount to about $13,500,000. However, monthly statements issued since that time show a very substantial increase over that figure. For the first 6 months of 1945, the company showed substantially greater profits than for the corresponding period in 1944. There is no evidence at all in the record on this point, but it is clear that the figure of $13,500,000, used by the company, is not an accurate one.

8. What are present plans for the refunding of the company's 1951 maturity 5-percent bonds?

NOTE.—The company recently had an offer for the refunding of those bonds, which total $25,000,000, at 4 percent instead of 5 percent, thus realizing a saving of $250,000 a year in capital costs. In addition the company has another outstanding bond issue of 1960 5-percent bonds amounting to $35,000,000 and an additional $20,000,000 of mortgage bonds carrying 4½ percent interest which mature on May 1, 1950. We understand that plans are afoot to refund the $35,000,000 bond issue. We know nothing about plans with respect to the $20,000,000 issue. If all of these could be refunded at 4 percent, additional savings of about $700,000 a year in capital costs could be realized.

9. What will be the total cost of the company's projected mechanization program?

NOTE.—Our understand is that the total cost of this program will be $63,000,000 spread out over a period of the next 10 years. However, there is nothing in the record about it.

10. What is the nature of this mechanization program?

NOTE.—There is nothing in the record about this either. However, it is our understanding that there are three primary elements to this program:

(*a*) The substitution of high-frequency radio beams for the transmission of intercity messages, in place of the present outside wire plant.

(*b*) The substitution of automatic reperforator transmission in place of the present manual system of relays.

(*c*) The substitution of Telefax transmission for intracity communication in place of the present teleprinter transmission.

11. What will be the saving to the Company as a result of the substitution of high-frequency radio transmission in place of present wire telegraphic transmission?

A. How much would be saved by canceling contracts between Western Union and the railroad companies?

NOTE.—At the present time the Western Union outside wire plant is the subject of a series of contracts between Western Union and numerous railroad companies, along whose rights-of-way the pole lines of the company run. It is the opinion of many experts in the field that these contracts have been the source whereby the railroad companies have been milking Western Union for decades. Western Union is almost completely controlled by railroad interests currently.

B. What is the present scrap value of the outside plant of Western Union?

C. What would be the saving in maintenance costs by the elimination of both material and labor presently expended in keeping up the outside plant of the company?

NOTE.—It is somewhat difficult for us to estimate this. We do know that there are several thousand employees whose sole duties consist in maintaining the outside plant, and that most of these employees would be eliminated as a result of the mechanization program of the company. We also know that the outside plant of the company is very old, is in comparatively bad shape, and that the cost of maintenance is quite high. We would estimate that, very conservatively speaking, the savings that will result from the substitution of wireless for wire transmission of telegraph messages would amount to an average of at least $200,000 a year for the next 10 years.

12. What will be the saving to the company as a result of the substitution of automatic reperforator relay for present manual relay?

NOTE.—Reperforator relays have been put into use in several large cities, including St. Louis, Washington, Atlanta, and Richmond, and some statistics must be available as to the savings effected in those cities. It is our understanding that the present cost of the terminal handling of messages is about 4.8 cents a message and that the installation of automatic reperforators will cut that cost down to about 1.8 cents a message. Estimates have been made that the savings effected by the installation of automatic reperforator systems throughout the country will amount to an average of $7,750,000 annually for the next 10 years.

13. What will be the saving to the company as a result of the substitution of Telefax for teleprinter transmission of intracity traffic?

NOTE.—Telefax is already in use in New York to a limited extent and in many other places. We cannot estimate exactly the full amount of savings which will result from its projected extension. We think that an average annual saving of $1,250,000 for the next 10 years is conservative.

14. How is the mechanization program of the company to be financed?

NOTE.—There is nothing in the record on this, although there has been some discussion in the public and trade press. We might point out in this connection that the credit of the company is excellent and the company recently had an offer from Wall Street banking houses to underwrite a proposed bond issue to refund the existing 1951 maturity 5-percent bonds amounting to $25,000,000. Banking interests agreed to underwrite the new issue at 4 percent. There is every indication that much larger sums could be raised without the slightest difficulty for mechanization or for any other legitimate purpose.

15. How soon will the benefits of mechanization be realized by the company?

NOTE.—The company intends to start its mechanization program immediately. Undoubtedly, the benefits will be greater at the end of 10 years than they will at the beginning of mechanization, although substantial benefits will undoubtedly be realized in the first year of the mechanization program. The installation of reperforator equipment in a few cities has already resulted in substantial savings.

16. How much is available to the company for wage increases?

NOTE.—Obviously, no definitive answer can be made to this question. We have estimated the savings from mechanization to approximate $3,300,000 over the next 10-year period, and we have been unable to estimate some of the items of saving which will undoubtedly be realized by the company. On savings from sources other than mechanization, we have estimated between $7,200,000 and $9,700,000, exclusive of many items concerning which we do not have sufficient information. In addition to these items, the current profit return of the company is about $14,000,000 a year. On this basis, a minimum of between $30,000,000 and $33,000,000 a year should be available to the company. This will not only provide for the wage increase ordered by the board, but a handsome dividend return as well.

EXHIBIT 48

STATEMENT OF THE AMERICAN FEDERATION OF HOSIERY WORKERS AFFILIATED WITH THE CIO THROUGH THE TEXTILE WORKERS UNION OF AMERICA ON THE EARNINGS AND WAGES OF WORKERS IN THS HOSIERY INDUSTRY

The American Federal of Hosiery Workers represents workers in both sections of the hosiery industry, the full-fashioned and the seamless. In the former, stockings are made shaped to fit milady's legs. Seamless hosiery plants produce infant's, children's, and men's hose as well as anklets and full-length seamless stockings for women. It is in these mills that serious substandard wages are found.

A small percentage of the full-fashioned hosiery workers find their pay less than 65 cents an hour at present. A number of full-fashioned mills, particularly in North Carolina, have recently instituted a 65-cent minimum for their employees. No matter how small the number, however, the workers who receive less than that figure suffer the same hardship brought about by a low standard of living.

The seamless hosiery industry has suffered from the results of serious internal competition for a great many years. This competition since the boom years

of the twenties has reflected itself in, very low wage levels and deflated prices to the consumer.

The competitive factor is best revealed in a study of the productive equipment of the industry made by the industrial research department of the University of Pennsylvania under the direction of George W. Taylor, retiring chairman of the National War Labor Board. In the year 1934, the industry operated at 57 percent of its potential and effective capacity. The remaining 43 percent of the unused capacity was seeking an outlet in an already glutted market.

In the relatively good year of 1943 the industry operated at 74 percent of its effective potential capacity. During 1943 serious shortages were apparent and unprecendented demands were being made upon the industry. Fuller utilization of capacity was short-circuited by raw material and labor shortages.

No industry has reflected the need for minimum wage legislation more clearly than this one, nor can any industry show the benefit of wage legislation as clearly as this one.

The average hourly earning of seamless hosiery workers in the United States in 1929 was 30.8 cents per hour. By 1933 the average hourly earning had fallen to 18.8 cents per hour. Under the NRA hosiery code minima, the average hourly earning rose to 38.3 cents per hour in 1935 and 38.8 cents per hour in 1936. These data were compiled by Dr, George W. Taylor and Lillian Goodman in the monograph, Recent Changes in Hourly Earnings of Employees in the Hosiery Industry.

The United States Bureau of Labor Statistics in a wage study of the industry for 1938 showed that earnings had begun to slump when NRA protection was removed. In that year the national average was 35.1 cents per hour. About 20.5 percent of all workers in the industry were earning less than 25 cents per hour with a recorded low of 4½ cents per hour. At least 49.8 percent of all workers were receiving less than 32½ cents per hour.

This wage pattern did not follow differentials in skill or occupation but showed itself along plant and area lines, irrespective of skill, occupation, value of product, or sex distribution of the work force.

In a companion study of the seamless men's half hose industry made by the Women's Bureau of the United States Department of Labor as the factual background to establish a minimum wage for this portion of the industry under the Public Contracts Act in 1938 an average hourly earning of 36.1 cents per hour prevailed. It was found that 25 percent of all workers earned 30 cents per hour or less. Sharp variations in the pattern of wages by States was found. In Georgia, for instance, 51.2 percent of all workers earned 30 cents per hour or less.

The 25-cent-per-hour minimum wage under the Fair Labor Standards Act became effective on October 24, 1938. This minimum resulted in wage increases to 20.5 percent of all workers employed in the seamless industry. Ten percent of the plants in the industry had plant averages of 25 cents per hour or less on that date.

On September 18, 1939, the 32½-cent minimum wage for the industry under the Fair Labor Standards Act became effective. At least 17,000 persons employed in the industry on that date received an automatic wage increase. The United States Bureau of Labor Statistics measured the effect of the 32½-cent minimum wage on the wage structure of the industry in September 1940. The average hourly earning was 41.3 cents per hour at that time. At least 61.1 percent of the total work force was earning less than 40 cents per hour.

On July 21, 1941, another boost in the fair labor standards minimum was made, this time up to 36 cents per hour. This rise resulted in an industry average hourly earning of 46.2 cents per hour, a weekly wage of $17.48 measured in November 1941.

On February 15, 1943, the last change in the minimum was made effective, up to the limit provided by the act; namely, 40 cents per hour. This change in the minimum, which also noted the effect of the war's pressure on wages, was measured in April 1943 and showed a national average hourly earning of 52.9 cents per hour and a gross weekly wage of $20.33.

In May 1945 the average hourly earning for the industry was 61.5 cents per hour; the gross weekly wage was $22.63, according to the United States Bureau of Labor Statistics.

Northern union and nonunion seamless plants yielded an average hourly earning of 68.0 cents per hour and a gross weekly wage of $27.20. These mills produce slightly less than 25 percent of the national output. The southern average hourly earning was 59.7 cents per hour, and gross weekly wage was $21.43. This area produces slightly more than 75 percent of the national output.

The workers in the industry have not benefited from premium rates for overtime work or premium rates for Sunday work or for continuous round-the-clock operation in proportion to the results in other industries. The average weekly hours between May 1944 and May 1945, were 40½ hours per week in northern mills and 36.6 hours per week in the South. The work week in May 1945 for northern mills was 40.0 hours, and 35.9 hours in the South.

The net annual income of these workers whether in the North or South is below $1,000 per year on a collective basis. Individuals may fare better or worse in this type of calculation. There are several hundred workers employed at the learner's minimum of 35 cents per hour at this time. There are several hundred workers earning in excess of $1 per hour on selected jobs and in selected mills.

It must be pointed out further that this is not an hourly or weekly wage industry. The almost universal method of payment in the industry, on the overwhelming majority of operations and occupations, is either on a piecework basis or some form of incentive-pay plan. Personal efficiency thus reflects itself in the entire wage pattern. These individual variations in ability can lead to from 25 to 115 percent differentials in personal productivity within a plant and on a specific task or occupation. High wages, therefore, do not reflect high labor costs, nor do low wages always reflect low labor costs.

It is quite evident from the evidence submitted on the direct effect of varying levels of minimum wages upon the industry wage structure just how deflated and depressed the entire wage framework of the industry was and still is. The entire industry has been operating generally at socially undesirable wage levels and on a substandard basis.

The long years of intense competition which reflect themselves in the continuously deflated wage pattern in this industry do in no way reflect the skills required in the manufacture of hosiery. These skills, difficult to acquire, carry with them no monetary inducement for trainees.

During the war seamless manufacturers who have been called into conference by both the War Production Board and the armed services have gone over the problem in great detail. Individual manufacturers, important in the total production they represent, have advised the various agencies that the only basic solution would come with a change in the industry's wage pattern. Several of these manufacturers, representing both union and nonunion plants, have held consistently that the industry needed at least a 35-percent increase in the minimum wage structure so as to provide a hiring rate which would attract new workers going into other industries already operating under much more favorable wage levels.

There can be no doubt that substantial relief is badly needed for the workers in this industry. The most practical method at the moment seems to be a revision in the War Labor Board yardstick on substandards of living. The relief offered in Senate Concurrent Resolution No. 48, to set the dividing line at 65 cents per hour, is badly needed. The workers in this industry suffer from an antisocial wage level and are in fact being put through the wringer as every month passes as their net take-home pay has been reduced by taxes and by the creeping rise in the cost of living. At this moment the value of their earnings are considerably lower than the real value of their earnings in 1938 and 1939.

The alleviation of this situation is certainly not inflationary since it is inconceivable to us that the correction of substandards of living can ever do more than wipe out those dangers which threaten internally our national economic and democratic security and which undermine the health and strength of our people.

Respectfully submitted.

AMERICAN FEDERATION OF HOSIERY WORKERS.

Exhibit A

Nature of industry by size of plant

There were 439 companies on which data on production was available in 1939. This data was compiled by the National Association of Hosiery Manufacturers and is quite accurate.

One hundred and forty-three companies, 32.6 percent of total, produced less than 50,000 dozen pairs per year.

Ninety-two companies, 21.0 percent of total mills, produced between 50,000 and 100,000 dozen pairs.

One hundred and fifty-seven companies or 35.8 percent produced between 100,000 and 500,000 dozens.

Forty-seven companies or 10.6 percent produced over 500,000 dozen pairs.

At least 53.6 percent of the companies must be classed as small, 35.8 percent are medium sized, and only 10.6 percent are considered large.

The 143 companies with the smallest production are in many instances plants with less than 50 machines. In this group are 25 plants which produced less than 5,000 dozens, 17 companies which produced between 5,000 and 10,000 dozens, and another 23 mills which produced between 10,000 and 20,000 dozens. The annual production of this entire group of 65 plants would equal the three month output of one of the largest mills.

Total of mills in industry is 483.

Distribution of plants by population

The plants in the industry are located predominantly in small towns. At least 63 percent of all plants are in towns with less than 25,000 population, 14 percent in towns of 25,000 to 100,000, and 23 percent in towns of more than 100,000.

Small plants in small towns have paid the lowest wages over the past 15 years. Large sized plants in large cities have paid the highest wages. The character of the industry in size of plants and location of plants has impressed itself upon the wage pattern.

Nature of work force

This is one of the few industries in which the majority of workers are women. In 1938, at least 7 of every 10 persons employed were women.

In 1941 at least 8 of every 10 persons were women.

Under the Fair Labor Standards Act, the following occupations in the seamless hosiery industry were provided with a subminimum learning period:

480 HOURS	960 HOURS
Knitting (except transfer top) Seaming Topping Boarding Pairing Folding Examining and inspecting Mending Welting	Transfer top knitting looping (female only) Actual efficiency on transfer top knitting not reached prior to 9 months or a year. Actual training time on looping at least 9 months, efficiency usually after 12 to 15 months.

Of the above group males are employed to some extent on knitting and to a large extent on boarding.

Looping and transfer top knitting which are classified as the most highly skilled female jobs represent 35 percent of the total workers in the industry. The nine occupations requiring a 480-hour learning period represent semiskilled jobs, and represent another 35 percent of all persons employed. The actual training period on some of these occupations is relatively short, but speed in handling is a requisite to the job, and such productive speeds take some time to acquire after job instruction is completed.

Machine fixers, who represent the most highly skilled group in the industry, are all males and represent 5.8 percent of the work force; fixer apprentices represent another 1 percent. The normal apprenticeship period for a fixer is 4 years. Top job classifications in fixing are seldom acquired in less than 4 years after completion of apprenticeship.

Male knitters represent about 5 percent of the total work force and are semiskilled, except for a very limited group operating complex foreign types of machines.

Male boarders classed as semiskilled representing about 7 percent of the work force prior to the war, now represent about 4 percent.

EXHIBIT 49

STATEMENT BY GEORGE BALDANZI, EXECUTIVE VICE PRESIDENT, TEXTILE WORKERS UNION OF AMERICA, CIO, ON THE PROPOSED REVISION OF THE FAIR LABOR STANDARDS ACT TO ESTABLISH A 65-CENT MINIMUM, PRESENTED TO THE SENATE COMMITTEE ON EDUCATION AND LABOR

The Textile Workers Union of America, CIO, appreciates this opportunity to appear before your committee, and in behalf of 500,000 organized textile workers expresses its support of the legislation now before you, which would raise the legal minimum wage in this country to 65 cents an hour.

The question, as we see it, is not whether American workers are entitled to at least 65 cents an hour, but whether or not we are going to have the courage, intelligence, and foresight to start to lay the foundation for the kind of economy which will guarantee Americans a constant improvement in their living standards.

There should be no question that an economy which can provide an annual income of more than $160,000,000,000 could also provide a living wage for every one of those who has helped produce that income. The proverbial man from Mars, I am sure, would find it difficult to understand why the productive equipment which could pile up a wartime record so great as to stagger the imagination, cannot provide sufficient food, clothing, shelter, education, medical care, and other needed services so that a large proportion of American wage earners must bring up their families in want.

And if, by some chance, the radio speeches made by our leaders during the war could be received in that far-away planet, I am sure that our Martian visitor would have expected that our first peacetime objective would be to place a floor under wages high enough to provide that Americans, at least, shall be "free from want."

But the world is what it is, and we must face the fact that a large number of American workers are today receiving far less than a sufficient income to support them and their families, and that we have come here to consider bringing their wages part way up to what they need.

That the need is for earnings greater than 65 cents an hour can be demonstrated by a simple statement of facts. Our union has priced the lowest available family budget conceived by American authorities. It was developed by the WPA for relief families financed on an emergency basis. This budget is so low that no one has risen publicly and challenged its items. It cannot be regarded as providing a decent continuing standard of living. It is a mere stopgap for hunger.

With the aid of the Bureau of Labor Statistics, our research department priced this budget in January 1944. The pricing was approved by governmental and business agencies as fair, honest, and accurate. At that time a family of four would have required an annual income of $1,563.92 to provide the commodities and service required by this minimum budget, and to meet taxes and other similar charges. On the basis of a steady income of 50 40-hour weeks, this would mean weekly earnings of $31.28 and an hourly rate of more than 78 cents. Increases in the cost of living since January 1944 have brought the figure well above 80 cents an hour, or $32 a week.

But it is not now even being suggested that we guarantee that low income level, which the WPA felt was satisfactory as an emergency minimum. We are only seeking to establish a 65-cent-an-hour minimum wage which shall be moved up to 75 cents after a 2-year period.

The Bureau of Labor Statistics estimates that almost half a million textile workers are within the group now receiving less than 65 cents an hour. These are workers who, with their fellows, have earned the gratitude of a nation during the past 4 years for their production of needed war and essential civilian materials. They made the cloth for uniforms, the duck for tents, the nylon for parachutes, and thousands of other needed textile products. Despite their low wages, despite poor working conditions, they have heeded the call of a nation and remained at textile jobs, resisting the urge to move into the shipyards, into the plane and tank arsenals where earnings were often double what was earned in the textile mills.

They pledged not to strike during wartime, and kept that pledge, often despite extreme provocation by the employers and what seemed to many workers a golden opportunity to bring into the textile industry for the first time in its more than 100 years of history a wage scale which would provide a living wage to its workers. But the need was for production, and more production, and textile workers stayed on the job.

I feel that I can stand before you unashamed and say that the war-production record of the textile workers has earned for them at least the kind of consideration that would be shown by the establishment of a 65-cent minimum wage today and the boosting of that minimum to 75 cents after 2 years.

This I say despite the assertion by one leader of the textile industry that textile workers' earnings are low because they lack the "skill, ingenuity, and efficiency" to earn more.

Nor can I agree with that same gentleman, Dr. William P. Jacobs, now president of the American Cotton Manufacturers Association, when he stated, in his dissent to a panel report in the southern WLB cotton cases, that "charity rather than a high minimum wage or a high living budget" should correct the misfortune of those whose earnings are insufficient to maintain their families at a decent level.

Charity is not what workers want or need. Rather, it is the feeling that their work is considered useful to society, and by that token they are repaid for it at a decent level.

But, it may be said by some, the textile industry cannot afford to pay a 65-cent minimum wage. These people say that mills will close and workers lose their jobs if the minimum is raised. This familiar song is one that has been heard every time an effort has been made to put a floor under textile wages, no matter how low that floor might be. It is the kind of story that has for 100 years kept textile wages at a level which the economists call substandard. It is the kind of story which has kept textile wages so low that man and wife have both had to work so as to keep body and soul together. It is the kind of story which has driven children from school into the mill. It has been responsible for slums, for inadequate medical care, for a century of suffering in this country's oldest manufacturing industry.

Yet, when the test has come, and the Government has moved to put a floor under textile wages, we have seen here how false this cry has been. We heard it in 1933 when the NRA minima were established. In 1939, when the 32½-cent-an-hour minimum was proposed, one Texas textile manufacturer predicted that there wouldn't be a mill in Texas operating after 5 years unless a differential in wages was permitted. No differential was allowed, and the minimum has gone far beyond the 32½ cents an hour set at that time. Yet the mills headed by that manufacturer are still operating, and today are under contract with our union. For the textile industry absorbed that increase as it did the more recent moves to 37½ cents in 1941, to 40 cents in 1942, to 47½ cents in September 1942, to 50 cents in 1944, and to 55 cents in the early part of this year.

The supplemental brief I am submitting shows just how the establishment of a 65-cents-an-hour minimum will affect the various branches of the industry. It is important to note, however, that negotiations just concluded with the largest group of northern cotton-rayon manufacturers have established a 65-cents-an-hour minimum in that section of the industry, and that in the South, where the minimum is 55 cents an hour, the union is now negotiating for the establishment of the higher rate. A wage movement now in evidence in the woolen and worsted industry can be expected to raise the 60-cent minimum in effect there, to 75 cents. What is true in these two large sections of the textile industry is equally true in the others.

These recent wage movements make obsolete the Bureau of Labor Statistics estimates of the distribution of textile wages, which place 5 percent of the workers in the industry earning less than 50 cents an hour, and 47 percent less than 65 cents. , It is entirely possible that conclusion of present wage movements will leave no textile workers below the 65-cent level. Action by Congress would clear up the fringes of employers who have not definitely crossed the line, and would guarantee fair competition to the fair employer within the industry who is paying the going rate.

But even on the basis of the BLS figures the cost of the establishment of the 65-cent minimum wage could be easily absorbed by the industry without the need for price increases. As of June 1945, the BLS estimated that 489,000 textile workers would require an increase to be brought up to the 65-cent figure. This increase would raise the pay roll 4.7 cents per hour, or 6 percent.

The total cost to the Industry would be $105,000,000. The OPA has estimated that total textile profits for 1944 were $871,000,000. Thus, the increased cost, as of June 1945, would have come to but 12.1 percent of the profits earned during the previous year. Offsetting this amount, however, is the reduction in the direct labor cost to the idustry by the elimination of overtime caused by the return to the 40-hour week. It is estimated that this would reduce total pay rolls by some $72,000,000. Thus the net effect of the 65-cent minimum as of June 1945 would be $33,000,000, or but 4 percent of 1944 profits. Contrast this insignificant sum with the amount of good which would be accomplished by the act. Already, major sections of the industry have voluntarily granted minimums of 65 cents, or higher.

We must bear in mind, too, that the industry's ability to absorb the increased wages will be increased by the tremendous technical changes now being contemplated by every mill. The improved processes will further reduce direct labor costs.

This picture of the ability of the industry as a whole to pay the increased wages is reflected by its various sections. Let me cite a few figures on the two largest of these—the cotton-textile industry, and woolens and worsteds. In 1944, OPA estimates indicate that the cotton-textile industry earned profits of $774 for each employee on its pay roll. Evidence for 1945 points to probable profits of $952 per employee. In wool, the comparable figures were $1,690. Surely these figures indicate an ability to pay what slight increases would be needed by the 65-cent minimum without any increase in prices.

The question is not whether the industry can afford to pay a 65-cent minimum, but whether it can afford not to pay it, and whether the country can afford to permit any wages below that figure.

It is an established fact that low wages in the textile industry hampered war production. The country was in need of textile fabrics. Governmental agencies rallied to increase production. The War Department tried morale meetings; the OPA granted price increases; the WPB issued directives; the War Manpower Commission granted priority referral plans. None of these worked because the basic issue—low wages—was not met.

The same problem faces us today. Civilian textile needs are great. Only recently, the OPA had to ease up on its price regulations for clothing because the apparel manufacturers protested their inability to secure fabrics. Production has not recovered because workers do not find the jobs in the textile industry attractive. Workers displaced from other industries do not wish jobs in cotton textiles because the wages are so low and the conditions unsatisfactory. They frequently withdraw from the labor market rather than subject themselves to wages paid in textiles. With its present wage scale, the industry cannot attract the workers it needs to meet current demands. Thus the low wages in the textile industry have done much to retard the reconversion to peacetime production. This bill will do much to correct that situation.

The passage of this bill will also help us to fulfill our responsibilities to our fighting men. How can we honestly expect them to return to the textile industry with its low wages? Every survey made by the union shows that war veterans are not returning to the jobs they left in the low-wage textile mills. They feel they fought for something better than the right to a job at a starvation wage. Can we blame them? Have we the effrontery to say to them that the future holds nothing but poverty for their families? Let us not forget that the cash income of a private with a wife and two children is $128 a month. A 65-cent-an-hour job will provide him less than that.

There is an even stronger reason why the textile industry cannot afford to do without this bill. If they are to be prosperous, the textile industries require a high income economy. Demand for their products depends upon purchasing power in the hands of the mass of the people. Workers whose earnings fall below 65 cents an hour cannot afford to buy for themselves and their families the clothing, the household supplies they want, and need. An increase in purchasing power for the lower income groups, such as is provided in this bill, will reflect itself immediately in an increased demand for textile products, and increased prosperity for the industry.

What is true in textiles is true for the economy as a whole. The passage of this bill, is essential to provide needed purchasing power if we are to build an economy of abundance, one in which full employment will prevail.

We have just come through history's most terrible war. For 6 years, the free peoples of the world fought against tyranny and oppression, for the preservation

and extension of freedom and democracy. But democracy and freedom are in themselves simply abstractions. They take on meaning only as we apply them to our daily lives. Democracy and fredom can have no real meaning or substance unless they are buttressed by economic security; otherwise, they become mere catchwords, slogans with which we delude ourselves, and perhaps attempt to delude others.

There can be no economic security, no enduring prosperity, unless American workers are fully employed at good wages—not at 40 cents an hour—but at wages that will make it possible for them to buy the goods they produce.

Passage of the bill under consideration will not usher in the millenium. It is simply the necessary first step we must take if we are to make certain that the victory we won in war is transformed into victory in peace. Without such a victory, the peace we fought so long to gain will be lost.

We must exploit to the fullest the magnificent opportunity which now presents itself—the opportunity to achieve lasting peace and security. The challenge is tremendous, but we can meet it successfully if we act at once, with boldness and resolution.

SUPPLEMENTAL STATEMENT BY TEXTILE WORKERS UNION OF AMERICA, CIO, ON ABILITY OF THE TEXTILE INDUSTRY TO PAY A 65-CENT MINIMUM WAGE

The impact of the 65-cent minimum wage will be felt differently in the varying sections of the textile industry. We now have a minimum of 55 cents an hour in the cotton-rayon industry in the South and 57 cents in the North, with a large section of the northern industry operating on a 65-cent minimum as a result of recent wage negotiations. Our woolen and worsted industry is universally on a 60-cent minimum wage, as is the carpet and rug industry, but current negotiations will bring it to 70 and 75 cents. Minimum wages in the synthetic-yarn industry range from 62 to 67.5 cents, but current 10-cent increases bring these to 72 and 77.5 cents. The rope and cordage industry tends to have a 65-cent minimum. The dyeing and finishing industry has a 69- to 75-cent minimum in New England and a 95-cent minimum in New Jersey.

Recent wage movements, such as those noted above in cotton, and others which have started in the woolen and worsted industry have made obsolete the Bureau of Labor Statistics estimates of the distribution of textile workers under 65 cents. The Bureau figures indicate that some 5 percent are below 50 cents an hour, and 47 percent are below 65 cents an hour. We believe that a more accurate estimate would place the proportion of textile workers under 65 cents at less than 35 percent.

It is probable that the present wage movement, when carried to their conclusion, will further reduce the proportion of textile workers under 65 cents, to insignificant proportion. In that event, action by Congress to establish a 65-cent minimum wage would serve to bring over the line those plants which have not come up to the prevailing wage, and would protect the competitive position of the fair employer who is paying the going wage rate.

In considering the ability of the individual industries, we are even more greatly assured of the practicality of this entire proposal. The cotton textile industry is one which has been unusually profitable during recent years. The OPA has released some recent estimates of the profits of the industry. It indicated the following:

1939	$38,000,000	1943	350,000,000
1940	72,000,000	1944	340,000,000
1941	215,000,000	1945	400,000,000
1942	378,000,000		

At the beginning of this year, the industry was earning at the rate of $365,000,000 per year, but the total profits for the year are $400.

These high levels of profit have been maintained despite the shrinkage in prouction which has taken place since 1942. It is, moreover, interesting to note that these huge profits have been earned while wages have been increased and prices substantially controlled. The profits of the industry can be fully appreciated when the profits are compared with the total pay roll. The total profits of $340,000,000 must be set alongside the total wage pay roll for the industry in 1944 of $550,000,000. Sixty-two cents profit was made for each dollar of wages paid.

These profits during the year were enhanced by the action of the OPA under the Bankhead amendment, which granted price increases amounting to well over

$100,000,000. OPA Administrator Bowles described these price increases as having been given "to industries which demonstrably did not need them." He observed that the cotton textile mills "were reaping huge windfalls under ceiling prices computed on the assumption that they would pay parity prices for cotton." At the close of 1944, the difference between the mills' cotton costs and the costs assumed in the price ceilings amounted on an annual basis, to at least $80,000,000. The OPA undertook to guarantee profits not of $38,000,000, which the industry enjoyed through the 1936–39 period, but a total of $60,000,000. In actual fact, of course the mere guaranty of such profits resulted in much higher profits, as processors have learned to make profit by more than one method. The consequence is that OPA's calculation of expected profits has always proved to be most conservative.

As a result, the 1945 wage increase was finally approved by the Office of Economic Stabilization in a letter of April 17, 1945, which read as follows:

"The Office of Price Administration reports that the authorization of wage increases for the 54 companies involved in the wage proceedings would not in itself require an industry-wide increase in the maximum prices of any of the major items which such firms produce although some of the participating companies may become entitled to individual price adjustments. Insofar as the principles approved in the wage decisions may be applied to companies not participating in the proceedings, ther may likewise be cases in which the company would become entitled to an individual adjustment, but the Office of Price Administration finds that it is unlikely that individual adjustments, even if the wage increases become industry-wide, would materially affect the level of industry prices. Whether an extension of the wage increases generally through the industry would at some future time require price increases for major textile items cannot be positively determined at the present time, but the Office of Price Administration concludes that any such future price increases would be of small percentage amounts even if it could be assumed that the wage increases would result in equivalent increases in labor costs without offset for increased productivity."

The cotton textile industry could, therefore, shoulder the cost of the 1945 wage adjustments. Nevertheless, the OPA found it necessary to revise its pricing policy for the cotton textile industry. This change took place because the OPA reinstituted the net worth formula first used in increasing the ceilings for terry products and related goods. As a result, supplementary orders 114 and 131 have been issued providing substantial price increases to the textile companies. The actual total value of the price increases may be estimated at $100,000,000. These concessions have handsomely increased the profitability of the cotton textile mills. The final financial results at the end of the year will fully disclose the total actual 1945 profits, by reason of these increases, which will go beyond the all-time profit high of 1942. Current estimates place profits at $400,000,000. In any event, Mr. Bowles, in his statement on issuing the first pricing on August 31, 1945, declared that "the level of revised cotton textile prices established by the order represents an increase, which in many cases exceeds 20 percent, above the prices originally established in 1941 and early 1942. It is this present level of prices which is based upon a parity price of cotton far in excess of the world market price. Likewise, the new level of prices is based upon unit conversion costs which represent a probable minimum level of production and production efficiency. With the expected expansion of textile production and the return of more efficient workers to the mills, conversion costs should certainly not increase further and may well decline." It is a frank statement by Mr. Bowles that the longer the mills operate under these new ceilings, the higher their profits will become. Their costs will be declining as they operate at a higher rate and bring in new machinery and people. The cotton textile industry can certainly afford the new increase to 65 cents. The present price structure permits them to absorb the additional cost with little ultimate effect on cost.

The same appraisal of financial ability can be repeated for the other divisions of the textile industry.

In the so-called silk and rayon industry, profits have also constantly increased, both in the gross and on an employee basis. The profits per employee in 1944 were $281 (table II). In the woolen and worsted, the profits have been consistently high and also show the industry's ability to pay a 65-cent minimum. In 1944 profits per employee were $1,690 in the woolen and worsted industry (table III).

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Employment has always increased within the textile industry at the time of the wage increase. As the minima have risen, total employment has also jumped. Repeated assertions that the industry is endangered by wage increases have been disproved. They have resulted in higher employment, and in higher profits for the industry.

TABLE I.—*Annual employee earnings and annual net income before taxes per employee in the cotton-textile industry, 1936–44*

Year	Employment	Average annual earnings per employee	Consolidated net income before taxes	Average net income before taxes per employee
1936	390,400	$682	37,503,000	$96
1937	432,885	732	40,463,000	93
1938	369,879	649	[1] 3,963,000	(1)
1939	396,000	709	37,525,000	95
1940	412,000	736	71,511,000	174
1941	478,000	904	214,618,000	449
1942	505,950	1,101	378,000,000	747
1943	486,492	1,211	350,000,000	719
1944	439,492	1,323,	340,000,000	774
1945	[2] 420,000	----------	400,000,000	952

[1] Deficit.
[2] Estimate.

Source: Bureau of Labor Statistics and the Office of Price Administration.

TABLE II.—*Annual net income per employee in silk and rayon industry*

Year	Number of employees	Average annual earnings per employee	Net income before taxes	Net income per employee
1939	149,800	$789	$17,000,000	$142
1940	107,400	817	16,000,000	156
1941	109,000	950	20,000,000	183
1942	102,100	1,183	29,000,000	284
1943	95,800	1,347	[1] 26,600,000	277
1944	90,300	1,449	[1] 25,400,000	281

[1] Estimated.

TABLE III.—*Average annual employee earnings and profits before taxes per employee in wollen and worsted industry, 1939–43*

Year	Number of employees	Average annual earnings per employee	Net income before taxes	Average net income before taxes per employee
1939	149,000	$961	$26,612,000,000	$179
1940	146,000	1,017	34,365,000,000	235
1941	185,000	1,243	158,000,000,000	855
1942	180,500	1,491	220,000,000,000	1,213
1943	166,900	1,684	261,400,000,000	1,566
1944	150,900	1,774	255,065,000,000	1,690

Source: Employee number and pay-roll calculated by T. W. U. A. research department on basis of data from U. S. Census of Manufactures and Bureau of Labor Statistics. Net income: 1939–40, U. S. Treasury Department; 1941–42, Office of Price Administration, Division of Research.

EXHIBIT 50

STATEMENT BY SOLOMON BARKIN, CHAIRMAN, CIO COMMITTEE ON REVISION OF WAGE AND HOUR LAW, RESPECTING SECTION 8 INSOFAR AS IT RELATES TO JOB CLASSIFICATIONS ABOVE THE UNSKILLED GRADE

Senate bill 1349 provides, in section 8, that the proposed act is intended "to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industry." To establish such reasonable wage differentials industry committees are provided, which committees are instructed to recommend the highest minimum rates "which will maintain reasonable wage differentials between interrelated job classifications in such industry."

In section 8 (c), it is further provided that the "industry committee shall further define such reasonable job classifications within such industry or subdivision thereof, and shall recommend minimum wage rates for such job classifications (other than unskilled job classifications) at such levels as it determines to be necessary for the purpose of maintaining reasonable wage differentials between the minimum wage recommended by it for unskilled job classifications and the wage rates for interrelated job classifications in such industry or subdivision thereof."

In considering this provision, the CIO wishes to make it clear that it does not intend that this provision be mandatory. It is appropriate for each individual committee to consider the appropriateness of establishing minimum job classifications for jobs other than the unskilled job classifications. Furtherfore it wishes to make it clear that it does not desire it to be encumbent upon the committee to recommend minimum rates for all job classifications, but it shall recommend rates for such job classifications as it considers necessary to outline a reasonable job structure for the industry. These rates are to serve as peg rates, in terms of which the rest of the wage scale is to be considered by the parties in private negotiations. These wage rates must be considered as key rates for establishing balanced wage structures within a given industry. They are "a framework within which all intermediate rates would have to be established in balance with each other and the peg points."

This provision does not invite the replacement of collective bargaining. On the contrary, it is a method of insuring that prevailing standards arrived at by collective bargaining shall be observed throughout the industry if recommended by the committee and approved by the administrator.

This provision is particularly necessary in highly competitive industries. In such industries, employers, as well as unions, are interested in competitive stability created, induced and protected by such uniformity in minimum job rates.

This proposed provision is well grounded in American experience and would merely incorporate a practice which has been observed since 1933 in wage legislation and regulation. It is a provision which is common and widespread in democratic countries.

The American experience with this provision is extensive. We call attention to the NRA codes and their provisions for wage regulations. Fifty-five of these codes provided for wage basing points and schedules. They were found necessary because of the general dissatisfaction prevalent during the NRA with the generalized formulas for the adjustment of wages above the minimum. It was found that they created many problems and were not enforceable. The industries which accepted this type of wage regulation were generally the industries in which collective bargaining was most advanced. These included apparel industries, construction, printing, trucking, bituminous coal, radio broadcasting, and numerous other industries. The most unique provision was that contained in several contracts, particularly bituminous coal and construction, which incorporated the wage terms found in union contracts and established them as the minimum occupational rates. The NRA, in section 7(b), specifically provided for the adoption of the economic terms of union contracts and their extension to the entire industry.

We are attaching herewith a summary of the experience under the NRA. Appendix A provides for a specific summary of the report of the President's Committee of Industrial Analysis and the staff reports which describe in detail each of their provisions and the experience thereunder. The committee concluded that "adequate provisions for the protection of wages of various occupational groups was shown to be necessary for a long-term program of stabilizing costs. Experience showed that the Government can successfully undertake the enforcement of provisions for the protection of wages of employees above the minimum

wage provisions where they were the result of joint negotiations of employer and employee groups, where the terms were satisfactory to each, and where both groups undertook the enforcement of the provisions. The basing point system provided a simple method of approach on which to begin a more far-reaching structure of control."

The basing point system is identical in character with the peg-point proposal contained in the present bill. We are attaching herewith appendix B, which contains a specific summary of the experience under the construction code with respect to the protection of wages above the minimum, and the incorporation of specific wage schedules in codes and their enforcement by government. We are also attaching, as appendix C, a specific summary of the application of section 7(b) of the NIRA which permitted the extension of the economic terms of union contracts into NRA codes. This survey concludes:

"Collective action of employers and employees affirmed by the Government in the interest of the public, and protected from the violator, is demonstrably the proper and sound base for the progressive handling of the problems of industrial relations and for achieving stability in labor conditions."

It is also stated that "those codes which were developed most closely along the lines laid down and predicted by section 7(b) were usually highly satisfactory as to labor standards, were detailed as to terms, adequate in answering the needs of the industry, successfully administered, and among those with the best compliance records. The experience of the areas in which section 7(b) was directly applied also suggests the wisdom of this method of developing labor standards."

The second body of experience relative to the basing points or peg rates is to be found under the National War Labor Board. The National War Labor Board developed in numerous cases specific rates of pay for individual jobs, but its most pertinent efforts in connection with the present proposal are those related to industry-wide wage rates. These assumed two forms. In the first place, there were the industry bracket rates which generally were rates 10 percent below the average rate for a particular job in the industry in a given area. Extensive bracket minimum rates were adopted by the national and regional boards for numerous industries. A compilation of these rates would, no doubt, show that thousands of such schedules of rates were prescribed. They generally were developed by tripartite boards. Employers were permitted to raise their rates to the minimum of the wage bracket in order to correct inequality.

The second method developed by the War Labor Board is the peg-point method. It was most completely matured in the case of the cotton-rayon textile decision. This decision provided a series of 5 peg rates, in the case of the southern industry, as follows: Common labor, 55 cents; card tender, picker tender, and spooler tender, 61.5 cents; doffer, spinning, 68 cents; weaver, plain automatic, 75 cents; and loomfixer, 90 cents. With the issuance of these key rates, the War Labor Board directed the parties "to establish through collective bargaining a more balanced and properly alined wage structure in which the rates for semiskilled and skilled employees provided a reasonable differential above the minimum rate." The above rates were to be used as guide rates for key occupations. The parties were instructed that "the wage rates for job classifications not listed above shall be bargained by the parties in proper relation to the wage rates for the designated key occupations." The text of this decision is attached as appendix D. The above key occupational rates were to be implemented by negotiations which were to be aided by the Textile Commission's established decision.

Subsequent to the issuance of this decision, negotiations were carried on and numerous agreements established with companies which have negotiated more balanced wage structures. We are attaching as appendix E a copy of a series of peg rates developed by the southern commission for the guidance of the parties.

The success of this provision attests to the practicality of establishing minimum occupational rates. Management protested during the preliminary discussion that it was impractical. The achievement speaks of the possibilities of this technique. Union contracts on industry-wide bases generally prescribe such uniform occupational rates. In view of the widespread nature of industry group collective bargaining, there can be no question about the ability to develop, establish, and enforce such provisions. The desirability of this provision is further attested to by the fact that the National War Labor Board, in its policy recommendations to the President on February 12, 1945, recommended the adoption of the peg-rate system of wage stabilization as a supplement to a general minimum wage law. (See statement by Solomon Barkin before the Senate Committee on Education and Labor, presented on October 5, 1945.) We are attaching as appendix F a copy of an article by Mr. L. Hamburger, appearing in the August 1939 copy of the International Labour Review, entitled, "The Extension of Collective Agreements To Cover Entire Trades and Industries." This article is a complete summary as of the date it was published, describing the procedure common in most democratic countries for extending the terms of union contracts to entire industries where such contracts represent agreements among a substantial proportion of the interests of an industry. The most significant recent example of this legislation is found in Great Britain where the same principle has been enacted in a law entitled "Wages Council Bill" of December 1944, which is attached as appendix G.

CONCLUSION

The bill provides for the adoption of peg rates to be recommended by industry committees. These peg rates should be considered to be the structure for wage negotiations for individual industries. Wherever practical and possible, these peg rates should be based upon the going rates established in collective bargaining agreements and shall represent extensions of such agreements as binding upon the unorganized or substandard divisions of the industry. Stable competition would be permitted by these regulations. The practicality of this provision is attested by its widespread use and frequent adoption within this country and the more recent experiences both under the NRA and the War Labor Board.

EXHIBIT 51

COMMENTS SUBMITTED BY SOLOMON BARKIN, DIRECTOR OF RESEARCH OF THE TEXTILE WORKERS UNION OF AMERICA, CIO, RESPECTING THE STATEMENT OF WILLIAM J. JACOBS, PRESIDENT OF THE AMERICAN COTTON MANUFACTURERS ASSOCIATION, OCTOBER 15, 1945

The entire statement is typical of the glorification of slums which Mr. Jacobs has repeatedly undertaken. He tried to impose his views as an employer member of the textile fact-finding panel, but he was forced to dissent from the majority report because his contentions are not sustained by the majority. The proof of the unsupported character of his conclusions is that the National War Labor Board sustained the majority.

His views are best expressed by his dissent in which he declared that "the report accepts the budget approach to the determination of wages as sound in theory and in principle. I do not. * * * Misfortune and the circumstances of those who are inacapable of helping themselves should, of course, be corrected, but this function should be performed by charity rather than the establishment of a high minimum wage or a high living budget."

Here is an American citizen who would have the American public and community subsidize the exploitation of people by charity. The textile industry can afford to pay a living wage to its workers.

We shall consider the specific charges which he makes.

I. MINIMUM WAGE LEGISLATION

Congress has already established minimum wage legislation. It is no new adventure. During the experience under the original wage-and-hour law, textile wages moved from 25 cents per hour to 40 cents per hour with beneficial effects.

II. WAGE TERMS

The data presented by Mr. Jacobs includes overtime and shift differentials. They are not straight-time hourly earnings. Moreover, all of the increases granted during the entire period were either the result of increases required under the wages-and-hours law or orders of the War Labor Board intended to correct substandard conditions. So, for example, a wage increase took place in July 1941 to 37½ cents, and in 1942, to 40 cents, under the wages-and-hours law. The next increase occurred in September 1942, which increased the minimum to 47½ cents, and in 1944 to 50 cents, and in 1945 to 55 cents. In these cases the War Labor Board established these higher minima by reason of substandard wage conditions in this industry.

III. THE COST OF LIVING TERMS

Considerations of the cost of living are immaterial in the case of persons who are on substandard wage condition levels. Moreover, the cost of living index, which is referred to in Mr. Jacobs' statement, relates to the middle-income groups and not to the lower-incomes groups. All students are agreed that the cost of living for the lower-income groups has risen proportionately greater than the cost of living for the middle-income groups. This has already been covered in my statement before the Senate committee on October 5, 1945.

IV. STANDARDS OF LIVING AND WHAT IS SUBSTANDARD

Glorification of the slums and depressed living conditions of the South does no honor to a forthright man. The descriptions contained in this summary are so wholly unrepresentative and are so completely a product of a vivid imagination that they do not justify even a reply. They are fiction. We, therefore, submit merely the findings of fact of the panel of the textile industry, as well as the opinion of the National War Labor Board in this case.

1. The opinion of the fact-finding panel is as follows:

"In using this yardstick to appraise the present living standards of cotton-textile workers it is necessary to distinguish between the workers to whom it applies directly—i. e., workers who are the sole support of a wife and two or more children—and all other workers in the industry. We have estimated that a worker in the former group would require a wage of 71.5 cents per hour to support his family at the level of living defined by the union's budget, assuming that he works 2,000 hours a year. This is a conservative estimate; it assumes that the worker's wife is an efficient shopper and that the family does not encounter severe illness or other contingencies not provided for in the budget. From the industry survey previously mentioned it appears that in November 1943 some 93 percent of all southern cotton-textile workers were earning less than 70 cents an hour. The proportion earning less than 70 cents per hour would be somewhat smaller today because of the recent wage increases, but would still be close to 90 percent. Since the great majority of all workers in the industry earn less than 70 cents per hour, it may be presumed that the great majority of workers who are the sole support of two or more children also earn less than 70 cents per hour. The conclusion follows that textile workers who have to support a wife and two children are now unable in the great majority of cases to attain the level of living provided by the WPA budget. At the hearing the union called as witnesses several workers with children who testified concerning their meager meals, scanty clothing, and inadequate housing. The living conditions of these workers were clearly below the level of the WPA budget. While the witnesses were only a very small sample of the workers in the certified mills, they did not seem to be untypical except that all were at or near the minimum rate and at least one had had considerable illness in his family during the previous year. As far as workers supporting families with two or more children are concerned, it seems clear that the great majority are now living under substandard conditions."

2. The National War Labor Board declared that "The simple fact is that the vitally important cotton-textile manufacturing industry pays the lowest wages of any basic industry in the country. Its minimum wage of 50 cents per hour provides a definitely substandard living, particularly under present circumstances. If any wage structure is subject to adjustment, on the grounds of fairness of equity, this is it. Nor can anyone say that this country, performing such gigantic industrial tasks, cannot support more equitable wages in the cotton-textile industry, particularly since equitable wages are a prerequisite to securing war goods needed to fight the war. The country cannot afford to have the cotton-textile wage scale where it now is" (opinion of the National War Labor Board in the case of the cotton industry, issued March 18, 1945).

We are attaching herewith appendix A, a publication entitled "Half a Million Forgotten People," a story of the cotton-textile workers. This publication describes precisely the conditions of life among cotton-textile workers in terms completely realistic and accurate.

The completely inaccurate nature and character of the statements made by Mr. Jacobs concerning the conditions of living among textile workers is apparent to all persons who have visited the cotton-textile mills. The fact is that health conditions among the textile workers is completely unsatisfactory. The Rockefeller Foundation made surveys of nutritional standards prevailing in a North Carolina community and found "the community was generally found to be moderately malnourished and this was probably representative of quite large similar groups in the State" (American Journal of Public Health, June 1942, pp. 406 to 412). The National Resources Planning Board, describing the Southeast, declared that the low, deficient diet in the area was creating "hidden hunger which is manifesting chronic fatigue, low thinking, and digestive disturbances and has been described by well-fed southerners as general 'triflingness'" (National Resources Planning Board, Regional Planning, Southeast, Pt. II, Washington, 1942, p. 192). This shortage in food consumption is entirely apparent throughout the Southeast textile region.

Individual cases presented before the textile fact-finding panel and summarized in the pamphlet entitled "Half a Million Forgotten People" speak eloquently of the depressed conditions among the textile workers.

We are attaching herewith, as appendix B, a special study on housing in High Point, which illustrates the depressed conditions within this community.

V. A TEST OF TEXTILE PRICES ON WAGES

The complaint that textile wages might affect prices is completely unjustified. The following is a record of profits enjoyed by this industry within the last few years:

Profit before taxes—		Profit before taxes—Continued	
1936	$37,503,000	1941	$214,618,000
1937	40,463,000	1942	378,000,000
1938 (deficit)	3,963,000	1943	360,000,000
1939	37,525,000	1944	340,000,000
1940	71,511,000	1945	400,000,000

In the year 1944 the average profit before taxes for employees was $774, and the average annual earnings for employees were $1,323 (table I). This profit-employee ratio will probably increase for the year 1945. There is an adequate profit margin to absorb the increases in the cost which is here proposed by raising the minimum wage to 65 cents without affecting the price level.

VI. LIQUIDATION OF THE TEXTILE INDUSTRY

The liquidation which Mr. Jacobs speaks of is a shrinkage of spindles, which was offset by a higher spindle output during these very same years. The cause of the shrinkage in spindles coincidental with an increase in output was the result of higher operating hours per week per spindle. Spindles have become more productive as spinning packages have become larger. New types of drafting devices have been introduced.

We cannot comprehend the lament concerning the adequacy of the margin enjoyed by the industry. The following is a report of the Department of Agriculture on mill margins for 17 cotton-cloth constructions. It must be understood that these mill margins are inadequate measures of actual profits. Many manufacturers have diverted their production to the most profitable constructions rather than remain on the staple one. Nevertheless, these data of mill margins are quite significant. The average mill margin in the production year 1941–42 was 20.55 cents per pound. The average mill margin for 1940–41 was 16.35 cents per pound. The average mill margin for the year 1942–43 was 20.63 cents per pound. The average mill margin for the year 1943–44 was 20.14 cents per pound. The average mill margin for the year 1944–45 was 20.82 cents per pound. The mill margin for the latest month for which material has been calculated, namely, September 1945, was 22.36 cents per hour. There has been an increasing margin for cotton-textile-mill conversion. It must be realized that in the year 1938, mill margins were 9.33 cents per pound. The present margin represents about a 150 percent greater margin than prevailed during the low point of recent years. Not only has the mill margin increased, but the total volume of business has risen sharply with the consequences that total profits have risen to unprecedented heights.

VIII. UPSETTING THE ECONOMY OF THE REGIONS

This obsession which Mr. Jacobs calls into existence is a complete myth.

The Textile Fact Finding Commission has the following to say about this matter:

"The figures cited above relate to the United States as a whole. There remains the question of how cotton-textile wage rates compare with other wage rates in the Southern States. Table 13, derived from a publication of the Federal Reserve Board of Atlanta, compares weekly earnings of workers in cotton textiles and certain other industries for the second quarter of 1943 in the sixth Federal Reserve district, which includes the States of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. Table 6 prepared by the North Carolina Department of Labor presents average hourly earnings for selected industries in the State of North Carolina in December 1943–January 1944.

"Table 14 indicates that the weekly earnings of cotton-textile workers in the second quarter of 1943 were must below weekly earnings for a group of selected industries, including the transportation equipment, construction, iron and steel, munitions, chemical, nonferrous metal, paper and pulp, and printing industries, but were higher than service industries and basic lumbering.

"Table 6 indicates that in North Carolina the hourly earnings of cotton-textile workers were quite close to those of workers in the dyeing and finishing, furniture, seamless hosiery, knit goods, paper box, and rayon industries. Textile wages were substantially below wages in the tobacco, full-fashioned hosiery, woolen, pulp mill, and printing industries, and much below wage rates in munitions plants. On the other hand, cotton-textile wages were considerably above wages in the brick and tile, cottonseed oil, fertilizer, and lumber industries. The average hourly earnings in all manufacturing were 65.1 cents and in cotton goods 57.4 cents. The corresponding figures for January–February 1941 were 43.8 for all manufacturing and 40.6 for cotton goods. The increased spread between the average for cotton goods and the average for all manufacturing is due mainly to the establishment in the state of munitions industries paying wage rates above average.

"Common labor rates in the certified mills are in line with or above common labor rates for other industries in the areas except metal-processing industries. The union's request for a common-labor rate of 60 cents is above the bracket for common labor in any industry in the fourth region including basic iron and steel.

"Rates for maintenance carpenters, electricians, and machinists in the certified mills are far below brackets for these occupations in other industries. The union's request is lower than the brackets set for these occupations in other industries for class A machinists but is higher than the brackets set for class B machinists and industrial mechanics. The rates for firemen and watchmen in the certified mills are, in general, at or above the brackets for these occupations in other industries in the areas involved."

TABLE I.—*Annual employee earnings and annual net income before taxes per employee in the cotton-textile industry, 1936–44*

Year	Employment	Average annual earnings per employee	Consolidated net income before taxes	Average net income before taxes per employee
1936	390,400	$682	$37,503,000	$96
1937	432,885	732	40,463,000	93
1938	369,879	649	[1] 3,963,000	([1])
1939	396,000	709	37,525,000	95
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1942	505,950	1,101	378,000,000	747
1943	486,492	1,211	350,000,000	719
1944	439,492	1,323	340,000,000	774
1945	[2] 420,000	----------	400,000,000	952

[1] Deficit.
[2] Estimate.

Source: U. S. Bureau of Labor Statistics and the Office of Price Administration.

EXHIBIT 52

STATEMENT OF PAUL R. CHRISTOPHER, NATIONAL CIO REPRESENTATIVE FOR THE SOUTH, BEFORE THE SENATE SUBCOMMITTEE ON EDUCATION AND LABOR, OCTOBER 12, 1945

The southern worker appeals to your committee to recommend the adoption of the present bill. We need the assistance of congressional legislation to correct the highly inequitable situation prevailing in the Southern States. Hundreds of thousands of workers throughout these States are not now earning a decent living wage. In fact, their income hardly permits these workers to meet even the WPA subsistence level which had been set up for relief workers during the days of 1933–34 when the cost of living was one-half to one-third what it is today.

Our efforts created wide varieties of tools of war. We, the workers of the Tennessee Valley, the Cumberlands, of the Piedmont, of the Coastal Plateau, of all the nine Southern States I represent, have built and created the tools of war. We worked in the bag-loading plants; we built ships; we produced aluminum; we spun and wove textiles for the Army; we built airplanes. Yes; we produced the atomic bomb. We are the hard-working productive workers who are ready to serve America both in war and in peace.

The workers of the South are no longer willing to accept economic disfranchisement. The South is rich country even though its resources have been misused. The South can pay its people a living wage. The South can and must afford its working citizens protection against those employers who are unwilling to pay even a subsistence wage. There is no eternal dictum that we shall be bound to neglect and to poverty.

We have seen the reluctant employer comply with NRA laws, with the Wages and Hours Act, and with the War Labor Board rules. They have paid these increases in wages required by law and by governmental directives. They have not been ruined. Their gloomy forebodings of the future were never realized. Actually the reverse happened. Every time they increased their wages they became more prosperous. Industry began to enjoy more profits.

They found newer and cheaper methods of production. They found that their workers became more productive. The employers are beginning to learn the lesson that the cheapest worker is the one who is paid the highest wage. He is the most productive worker. The secret of low costs in other sections of the country has been high wages. The southern employer is just beginning to learn this elementary lesson. We must help him learn it since he has been a most reluctant student. The elimination of substandard wages is imperative if American industry is to get the full value of the potential productive power of American workers.

Low wages have hindered the South. They have not resulted in new industries. They have brought some sweat shops but no real industries. More new plants have recently been built in high-wage areas than in low-wage areas. Industry goes where there are markets. High wages make for markets. Let us have higher wages and we will build our own industries in the South.

We know what our workers are worth. We built the new atomic bomb at a minimum of 65 cents. We cannot believe that our wages will be depressed. Our country has new resources and power. The factories in Oak Ridge, Tenn., employed our southern workers. They proved their worth.

We must not disillusion the workers at these plants by now turning them back to low wages of 40 or 50 cents an hour. Nor must we disillusion our soldiers and our industrial workers who devoted themselves to the production of tools of war. They have worked during all the war years, hoping that at least we would banish fear of want in America. A wage below 65 cents means abject want. We cannot believe that you, as the representatives of the people, will permit this condition to continue. You cannot permit the disillusionment of the last war to develop. You cannot allow the reaction and disappointment which led to fascism and nazism to take root in this country.

The workers of the South need legislation protection. We are not completely organized. We have been at the mercy of misguided employers, who thought they could only make profit by sweating workers and underpaying them. Our workers may have been inarticulate; they have only recently responded to the calls for freedom and for industrial rights. We ask that you help us avoid having to fight for our rights on the picket line. Give us the protection of legislation and our labor will enrich society and improve our own status.

There can be no better way of promoting southern well-being than by the adoption of the proposed minimum. The solid block of southern workers expect the Congress of the United States to adopt this bill. They expect that their sacrifices during the war shall have not been in vain. Millions of us remained in the low-paid industries in order to turn out the tools of war. We now expect to be rewarded by a decent living wage. Millions went to other districts to produce war material. These workers would like to come back but they will not if wages in the South remain very low. Many discharged soldiers are now leaving the South because they have come to expect living wages and decent working conditions. Too many of our very best citizens will not remain in the South, because of low economic standards. Many persons want to establish new businesses in the South, but are discouraged because there is only a limited market. We need new industry; but new industry needs a market to which it can sell. Adequate wages will produce this market

Some industries are already paying 65 cents in the South. The largest low-paid industries, such as textiles, can easily bring rates up to 65 cents because the higher wages are already established in other parts of the country. We can compete on an equal basis, man for man and hour for hour, with industry in other parts of the country. Pay us the same wages as other workers and, if management will do its share, we are sure that the results will be in our favor.

Gentlemen, we ask you to approve the 65 cent minimum. The cost of living has risen, rents are higher, the only clothes we buy are very costly. We need the 65 cents. Remember, that out of these low wages we have deducted social security, income and local taxes. In a number of our Southern States we also pay sales taxes on most of the things we buy. We want to pay our doctor bills; we want to help support our churches; we want to enjoy decent homes. We can only do these things if you will set a wage floor which will give us the income we need to buy this kind of a livelihood. The employers need a wage floor to protect them from cut-throat competition. We need a wage floor to protect us from starvation.

Let me say again that the miraculous production of the atomic bomb was accomplished by southern workers whose labors were inspired by a 65-cent minimum wage. Give us the inspiration and the means to produce all those things which we must have to lead fuller and better lives which the atomic age requires of us.

EXHIBIT 53

STATEMENT OF H. W. BROWN, PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS, A. F. OF L. BEFORE THE COMMITTEE ON EDUCATION AND LABOR IN SUPPORT OF SENATE BILL 1349 TO AMEND THE FAIR LABOR STANDARDS ACT

I am H. W. Brown, president, International Association of Machinists, (A. F. of L.) with offices at Ninth and Mount Vernon Place NW., Washington, D. C.

The International Association of Machinists represents some 700,000 American citizens who are employed in all types of industries. I am appearing here in behalf of Senate bill 1349, a bill to provide for the amendment of the Fair Labor Standards Act of 1938.

Since the enactment of the Fair Labor Standards Act many changes have occurred in the economic pattern of our Nation. The cost of living has substantially increased. Wages also have been increased. During the war period take-home pay has increased to such an extent that the return to the normal workweek at current straight-time earnings will not adequately support our peacetime ecenomy. This means that we must follow one of two courses, either raise wages or lower prices. During the reconversion period lowering prices cannot be accomplished very readily. Many manufacturers have reconverted their plants on overtime schedules. They have invested the cost of this labor and they must now sell their goods at prices which will enable them to recover the investment. Furthermore, most of the available consumer goods have been produced with labor costs that are 64 percent higher today than they were in 1939. With the return to the 40-hour week industry would be well able to raise straight time hourly wages at least 20 percent. The economies affected by the shorter workweek will more than offset this increase.

Authorities generally agree that the solution to the problem is to increase wages. There is no doubt but that the present economic problem facing labor will result in a general upward revision of wage rates.

These events have an important bearing on this bill. Since 1939 straight-time average earnings have increased 44.3 percent or a little over 26 cents an hour. The 1944 dollar has a purchasing value of 72 percent of our 1939 dollar when measured by the adjusted cost-of-living index. The cost of living according to the much disputed Bureau of Labor Statistics index has since 1939 increased from 100.8 to 129, using the period of 1935–39 as a base of 100. Labor has never agreed that this index reflects an accurate picture of the actual cost of living. We contend that the actual increase in the cost of living is somewhat nearer 140 using 1935–39 as a base of 100. In the latter part of 1943 a report submitted by the labor members of the President's Committee on the Cost of Living stated that a survey by the labor members indicated that the cost of living had risen 43.5 percent from January 1941 to December 1943 whereas the Bureau of Labor Statistics index showed only a 23.4 percent increase. Since that report was submitted the Bureau of Labor Statistics has admitted its index is low by a few points. The Mitchell committee, an impartial committee requested by the Bureau of Labor Statistics to study its Cost of Living Index, and the majority of the President's Committee on the Cost of Living agreed that the Bureau of Labor Statistics index was low by approximately 4 points. In any event we all know that the cost of living has risen considerably since the Fair Labor Standards Act was passed. Moreover there is little likelihood of any appreciable decrease in the cost of living during the next few years. All indications are that prices will go still higher, and a higher cost of living makes it all the more necessary to raise the statutory minimum rates of the Fair Labor Standards Act.

President Truman in his last message to Congress, recognized higher wages are necessary when he advised Congress to consider for itself an increase in salaries. The House has already provided an increase for its members. Certainly if the Senators and Congressmen feel that the increased cost of living necessitates increasing salaries above $10,000 yearly, the worker ekeing out an existence on 40 cents an hour should receive favorable consideration for an increase of his hourly rate to a minimum of 65 cents with provisions for increasing this minimum to 75 cents in 2 years. I want to make myself clear, gentlemen, that I am not opposed to Congress increasing salaries for its Members as I feel there is a need for adjustments in the upper brackets as well as in the lower ones.

The group of workers who will benefit by this measure suffer most by the upward rise of our cost of living. They represent a substantial portion of our economy and Congress should provide that they receive adequate pay to maintain a decent American standard of living. The need for increasing the minimums is greater today than was the need for the minimums of 1938. Today, however, we are fortunate in that the Nation is in a better financial position to pay the proposed increases advocated in this bill. Today, only 34 percent of all workers are receiving less than 65 cents an hour, the minimum proposed by this bill, whereas in 1939, 300,000 workers were receiving less than the 25 cents minimum proposed by the act at that time. In April 1939, 650,000 employees covered by the Fair Labor Standards Act were receiving less than 30 cents an hour.

Corporate profits after taxes have increased 119 percent from 1939 to 1943, rising from over 4 billion in 1839 to 8 billion 900 million in 1943. Estimates indicate that profits after taxes for 1944 will be slightly lower than they were in 1943 which was a banner year for all industry.

While there are no accurate statistics available as to the profits of the low-wage industries it appears that the minimums proposed by this bill can be put into effect without upsetting the economy of those industries. It may necessitate slight price increases but we contend price increases are justifiable when minimum living standards are endangered.

I know this committee has heard reams of testimony concerning minimum budget needs. I merely want to point out that at the time the act was passed a minimum budget of $1,020 was considered sufficient to provide basic maintenance for a family of four. Congress provided a minimum of $800 to meet this standard. Today it is estimated that it will take $1,752 to provide basic minimum budget for a family of four. The Heller committee estimates that a budget for a wage earner's family of four will need a $2,964 yearly salary. The Bureau of Labor Statistics estimates that it will take $1,673 for a maintenance budget for four people or an increase of about 64 percent over the 1939 budget.

We maintain that the Federal Government has a duty to maintain adequate statutory minimum wage rates which guarantee a decent American standard of living. If Congress fails to pass this bill the purpose of the minimum wage features of the Fair Labor Standards Act will in fact be a mockery and a meaningless expression of Congress.

The minimums provided by this bill will restore to the Fair Labor Standards Act wage floors comparable to the minimums essential in 1938. It will add dignity to the act, lifting it from a mere statement of policy to a piece of social legislation worthy of the Congress of the United States.

Mr. Chairman, we believe the passage of this measure will go a long way toward fulfilling the administration's full-employment program. It will bring it about without the aid of Federal spending. Moreover, it will bring about an upward revision in the low wages group on a noncompetitive basis. Generally when wage rates are revised upward by collective bargaining those firms increasing wages first do so at a decided competitive disadvantage with those employers who refuse to increase wages, and unless a substantial part of an industry is organized wages are not raised to the proper level.

We feel certain that if this measure fails enactment into law industrial unrest will result in the low wage industries.

Finally, I want to point out that witnesses in supporting legislation of this type and economists appearing before committees must in a large measure draw on statistics, indexes, and data, all based on averages. I want to point out, gentlemen, that these averages mean that at least a substantial number of people who are represented receive wages far less than the averages indicate. There are over 1,200,000 employees in manufacturing, mining, construction, transportation, communications, and public utilities who still receive less than 50 cents an hour.

LIMITATION AMENDMENT

We are in accord with the section of the bill which provides that action by employees to recover claims under the act must be filed within 5 years. During the hearings on the Gwynne bill before the House Judiciary Committee we recommended that a 5- or 6-year period should be enacted as a limit to file for claims under the act. Your committee recalls that the Gwynne bill sought to limit the time to 2 years or less if the States had shorter periods. We believe Congress should enact a 5-year period to prevent the States from passing laws which provide for shorter periods. Many States have already adopted laws which limit the time for filing claims to shorter periods. We contend that only Congress had a right to limit the period in which claims could be filed and we advocated congressional action in the interests of uniformity instead of individual State action. We believe any shorter period than 5 years proposed by this bill will be detrimental to the employees whom the act is supposed to protect.

AMENDMENT AFFECTING MOTOR CARRIERS ACT

Our organization recommends that the committee give further consideration to amending section 13 (b) of the Fair Labor Standards Act. We suggest that the proposed bill be amended so that those employees of the motor carriers who are now exempted be placed under the Fair Labor Standards Act regardless of whether the Interstate Commerce Commission has established qualifications and maximum hours of service regulations. At the present time only the drivers and the helpers are covered by the Interstate Commerce Commission regulation. However, the courts have ruled all those employees who affect the safety of operations of the carriers' equipment are covered. This includes the mechanics. It does not affect painters and bodymen, oilers, and others. This gives rise to many vexing problems in many garages owned by motor carriers. Some of the mechanics are permitted to work unlimited hours without overtime payment whereas those who do not affect the safety of operation must be paid time and one-half after 40 hours.

If the bill were enacted into law as it now reads, all of the employees covered by the motor carriers except the drivers and helpers would be covered by the Fair Labor Standards Act, provided the Interstate Commerce Commission issues no further regulations. We fear that immediately after the passage of this bill as it now reads, the Interstate Commerce Commission will be called on to issue further regulations.

Our organization wants to see all mechanics covered by the Fair Labor Standards Act. Strictly from our point of view, the I. A. of M. would like to have your committee amend the paragraph beginning with line 9 and ending with line 14, inclusive, of page 12 of the proposed bill to prevent the Interstate Commerce Commission from issuing further regulations which would exempt employees who would not be exempted as the bill now reads.

As an alternative, we suggest that the committee consider the entire conflict in jurisdiction between the Motor Carriers Act and the Fair Labor Standards Act. There is really no reason why any person covered by section 204 of the Motor Carriers Act should not be covered by the Fair Labor Standards Act. The purpose of section 204 is to prevent the working of long hours which would cause fatigue and accidents; the overtime provisions of the Fair Labor Standards Act prevents unfair competitive advantages between employers willing to observe the 40-hour week and those who are not.

We see no reason why the Interstate Commerce Commission should not prescribe maximum weekly or daily hours for employees who are at the same time covered by the overtime provisions of the Fair Labor Standards Act. The fact that the Interstate Commerce Commission says you cannot work an employee more than 60 hours in 1 week does not prevent his employer from being compelled to pay him time and one-half after he has worked 40 of those 60 hours. We would eliminate the exemption of any person covered by section 204 of the Motor Carriers Act. In any event we desire an amendment which eliminates the present exemption for mechanics who affect the safety of the carriers equipment.

EXTENDING COVERAGE OF ACT

The amendments proposed by this bill which will cover employees engaged in the processing of agricultural products, fishing, fish processing and handling, and the elimination of the exemption of seamen is highly desirable. There is really no good reason why these employees should not be covered by the act; they need its protection and we urge your committee to recommend its adoption.

AMENDMENT TO ESTABLISH MINIMUMS FOR HIGHER CLASSIFICATIONS

Our organization is not in accord with the principle of establishing minimums for higher classifications by law. We feel that the purpose that the amendments in this bill endeavors to establish can be best accomplished by collective bargaining. It is our opinion that if the amendment as proposed by this bill was adopted, that it would cause considerable complications in its administration.

THE CHILD LABOR AMENDMENT

Organized labor has always been in accord with the abolition of child labor. We see no useful purpose in restating here reasons for the adoption of this section of the proposed bill. This committee has reams of testimony which prove that the amendment should be adopted. We rest our position with regard to the amendment on the statement that we endorse it.

PROPOSED AMENDMENTS NOT COVERED BY THE PEPPER BILL

We also urge your committee to give consideration to an amendment proposed by the administrator of the act which would authorize him to bring action directly to recover wages due under the act. Such an amendment will be an inestimable aid in securing compliance to the act and will aid in speeding uniform compliance to the intent and desire Congress had in mind when the act was passed. Under the present law the majority of employees are reluctant to institute court proceedings in their own behalf. This is obviously unfair to employers who are abiding by the law.

Our organization would also urge your committee to give favorable consideration to an amendment to the act which will require the payment of time and one-half after 8 hours work in one day. We have never felt that the provisions of the Fair Labor Standards Act which permit an employer to work his employees long hours for a few days in the week and then send them home for the rest of the week to escape the payment of premium rates were fair. We feel that the overtime provisions of the Walsh-Healy Act are more in accord with the general practice of industry and should be applied to those industries covered by the Fair Labor Standards Act. Such an amendment would be a progressive step toward uniform labor standards. Now would be a good time to bring this about.

With these additions, we urge your committee to recommend the passage of this bill. It will be the fulfillment of the Government's pledge to maintain a decent and adequate American standard of living.

I thank you.

EXHIBIT 54

STATEMENT OF THE INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION IN SUPPORT OF PROPOSED AMENDMENTS TO THE FAIR LABOR STANDARDS ACT OF 1938 (S. 1349)

(For the International Longshoremen's and Warehousemen's Union, CIO: Harry Bridges, president; J. R. Robertson, first vice president; M. P. Johnson, second vice president; Louis Goldblatt, secretary-treasurer)

INTRODUCTION

The International Longshoremen's and Warehousemen's Union, CIO, welcomes the opportunity to submit a written statement to the Senate Committee on Education and Labor in support of the proposed amendments to the Fair Labor Standards Act of 1938, incorporated in S. 1349.

The union, on behalf of its 65,000 members employed in continental United States, Hawaii, Alaska, and Puerto Rico, primarily engaged in the warehousing, longshore, and sugar industries, joins the Congress of Industrial Organizations, to which it is affiliated, in supporting the increase in statutory minimum wages, and the extension of coverage incorporated in S. 1349.

The economic condition facing our country today, in many respects, parallels the condition prevailing when the FLSA was first adopted. We face problems of employment and jobs, rather than last year's problems of manpower and workers to fill jobs. We face the necessity of stabilizing and directing the economic structure of our country so that the people who comprise the United States and as servicemen and workers fought and won a war for freedom can live in health and decency.

The Fair Labor Standards Act by limiting hours does two things—it places a limit upon the hours constituting a healthy and normal workweek, and it provides a penalty for employment of workers in excess of the stated hours ceiling. It is the opinion of the ILWU, to be brought out in oral testimony by President Harry Bridges, that the present act is inadequate in its control of hours and that amendments other than those incorporated in S. 1349 are essential.

In the matter of wages the act set a statutory floor of 40 cents an hour, predicated upon pay rolls and prices prevailing when the act was adopted in 1938. Time and inflation have shown that minimum to be inadequate. It was inadequate at 1938 prices because it permitted a less than maintenance living standard. It is totally inadequate in the face of inflated prices and new tax burdens on low income groups. The 75-cent minimum would be a distinct boon to the millions of workers at substandard wage rates. It can be achieved without undue burden on the national economy and should be approved.

The extension of coverage of the hours and wage provisions of the act provided by S. 1349 will do much to tighten the gaps in the present structure of wage-hour control and will remedy the injustices which have resulted from overliberal statutory exemption and accordingly overgenerous administrative exemptions under the existing law's language.

The ILWU supports the bill, but urges that serious consideration be given its proposed amendments on hours and coverage. We believe the passage of the bill is essential to gear our national economy to the pressing tasks of reconversion and peace.

S. 1349 AND THE WAREHOUSING, WHOLESALING, AND DISTRIBUTION INDUSTRIES

I. THE INDUSTRY

The warehousing, wholesaling, and distribution industries lie between the boundaries of the manufacturing establishments which store and warehouse commodities in raw and finished form incidental to the manufacturing process, and the retailing establishments which store and ship incidental to such retailing. It forms an economic unit, and constitutes a distinct branch of American industry. (See exhibit 1, concept of the industry as developed by the Bureau of the Census, U. S. Department of Labor.)

The chief functions of the warehouse, wholesale, and distribution industry are the following:

(1) Receiving and shipping of goods.
(2) Maintaining inventories.

(3) Physically storing, assembling, and grading goods in large lots, breaking bulk and repackaging for redistribution in smaller lots.
(4) Other services incidental to storage and distribution, for example, refrigeration and minor processing, such as coffee roasting.

These functions are performed by all sections of the warehouse industry, regardless of their commercial classification into the categories of wholesale warehouse, retail chain store warehouse, or public warehouse.

Distribution within the boundaries of the warehouse, wholesale and distribution field may take the form of single commodity distribution, sales line distribution (such as grocery warehousers and wholesalers and drug warehousers and wholesalers) or a general merchandising distribution as exemplified by companies such as Butler Bros., or the mail-order houses of Montgomery Ward and Sears, Roebuck. These warehousing, wholesaling, and distributing firms serve the general market or may warehouse for one specific company. In any case, they are part of the industry as a whole.

According to the United States Census of Business, 1939, there were approximately 200,000 establishments engaged in wholesale distribution with a total sales volume of $62,500,000,000. The latest available figure (1935) of the number of warehouse employees in the United States shows a total of approximately a quarter of a million workers. Of these the largest number, 187,424, or 76 percent, were employed in the wholesale field; 32,785, or 13.2 percent, were employed in public warehouses; and 26,322 or 10.8 percent were employed in warehouses of chain-store organizations.

II. COMPETITION IN THE INDUSTRY

The warehousing and wholesaling field is a highly competitive one both as between different industry groups and regions of the country.

Within a given area, various forms of storage warehousing and distribution are in direct competition with one another. For example, if the rates of terminal storage and distribution are unusually cheap it pays the wholesale market to handle its distribution directly from such terminal which is the first place of rest for many commodities after leaving the factory. If, however, terminal rates are high, or if storage is for a long period of time, the wholesaler will then consider use of space in a public warehouse. The public warehouse rents space and handles distribution of commodities for the wholesaler so as to meet his daily requirements.

Further, the nature of wholesaling or the rates charged to wholesalers by the terminal or public warehouse will determine the advisability of establishing a private warehouse. This is true both of warehouses who distribute to the market at large and of warehouses maintained by retail outlets. (See exhibits 2 and 3.)

It has been the experience of the ILWU in the organization of those workers that the rates of pay in terminals, in public warehouses and in private warehouses are directly connected with each other. In many cases our organizational work began in terminals and public warehouses. We discovered, however, that in the event wages were raised to a certain level in terminals and public warehouses, the wholesalers would then move their storage out of the terminals and public warehouses and into private warehouses where they could secure workers at lower pay. In order to protect wage scales in public warehouses, it was then necessary to move into organization of private warehouses, inasmuch as the rates of all these workers were geared one to the other.

To demonstrate further: A grocery might maintain a warehouse to service its own stores. Its rates of storage, warehousing, and distribution are in direct competition with the rates charged by grocery warehouses distributing to the market at large (such as independent stores, restaurants, hotels, etc.). In the event rates in the public storage warehouses or general grocery warehouses were out of line with those in the private warehouses, commodity distribution would move away from such public or general grocery warehouses to the private grocery warehouses. The history of collective bargaining has substantiated this process in every detail. (See exhibit 4.)

When proper collective bargaining contracts are secured they must by their very nature provide for identical wages and conditions of work for the employees of public warehouses, general wholesalers and private warehouses. Any other method of organization or collective bargaining results in the union becoming the instrument for shifting employment away from the organized workers to the unorganized workers, or away from the establishment paying a higher rate of pay to that paying a lower rate.

The identical principle should be applied in considering the propriety of minimum wage legislation, and it is evident that only by an adequate minimum wage can we avoid shifting of employment away from the higher paying sections of the industry to the lower paying sections of the industry, thereby giving unfair competitive advantage to the employers whose low wage standards "perpetuate those labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of the workers."

The warehousing industry is highly competitive, not only within given localities but also between various regions of the country. Warehousing and wholesaling are also in competition with direct distribution. Where warehousing and wholesaling call for a fair rate of pay in one community but because of lack of union organization or inadequate minimum wage legislation there is a lower rate at another community, it will in many cases be profitable for the employer to do his distributing from the cheaper point of operation. When we take into account other forms of transportation, such as overnight truck drivers within a radius of 500 miles, we recognize the full significance of the need for an adequate minimum wage over the widest possible field. (See exhibits 5, 6, and 7.)

In the wholesaling field this high degree of competition exists within, and sometimes between, various regions of the country in spite of uniform price structures in major commodity lines. (See exhibit 8.)

In the public warehousing field there is also, at least within States, a uniform tariff structure. In California, for example, there is in existence a trade association known as the California Warehouse Tariff Bureau, to which most of the large public warehousing companies are party. This bureau establishes rate structures for the handling and storage of commodities which are to be charged by all member firms, thereby establishing a fixed rate structure which exists not only for the member companies in a particular city but which, in California, is almost identical between major cities in the State. Here then is an example of fixed prices at the top with no adequate minimum wage at the bottom, defeating the purposes for which the Fair Labor Standards Act was first passed.

III. THE NEED FOR AN ADEQUATE MINIMUM WAGE IN THE WAREHOUSING INDUSTRY

We have pointed out above how competition exists between various industry groups in the warehousing field on an area basis and also how competition exists between different regions of the country. We have also shown how this competition drives distribution from channels where higher wages are paid into channels where lower wages are paid.

Exhibit 9 shows average hourly earnings for employees in various commodity groups of the warehousing and distribution industry on a national wide scale. These range from a minimum of approximately 60 cents an hour to a maximum of more than 96 cents per hour.

Practical experience in the field of collective bargaining has demonstrated that this variation is not necessary in order for warehouses in these different commodity groups to operate at a reasonable profit. Warehouse Union Local 6 of the International Longshoremen's and Warehousemen's Union, for example, has collective bargaining agreements covering approximately 10,000 warehouse workers in the San Francisco Bay area and surrounding communities whose basic terms covering wages and conditions are identical. The basic minimum wage paid the warehouse classification—that is freight handlers, stock men, car loaders, and the like—is 92½ cents per hour and has been since June 1942. The minimum wage paid to so-called light warehouse labor—production work such as packaging, filling, etc., associated with warehouse work and performed by women workers—is 75 cents per hour and has been since June 1944. This rate was raised from 70 to 75 cents at that time as the result of a voluntary agreement between the union and the Association of San Francisco Distributors.

There is wide variation between average wages paid to warehouse employees in different regions of the country, as well as in different commodity groups. Exhibits 10 and 11 show, for example, the wage brackets established by the War Labor Board for three major distribution centers—San Francisco, Chicago, and New York. These wage rate brackets represent the minimum prevailing rate for warehouse jobs in these three areas. It will be noted that San Francisco, in spite of higher operating costs due to freight charges, and in the face of a fairly uniform price structure in national commodities, is able to pay the higher rate and operate its warehouses successfully. Therefore, no valid claim can be made

that a Nation-wide minimum rate of 75 cents an hour is prohibitive for the warehouse industry.

A similar degree of variation can be noted in the case of chain stores who do their own storing and warehousing, and wholesalers who operate on a national basis. An example of the former is Safeway Stores (groceries). Exhibit 12 shows comparable wage rates in the Safeway Stores for the San Francisco Bay Area, Salt Lake City, and Denver. An example of a nation-wide wholesaler is McKesson Robbins, Inc., distributors of drugs, drug sundries, and liquors. Exhibit 13 shows comparable wage rates for this company for the cities of Los Angeles, San Francisco, and Chicago.

It is clear that such national variations in wage rates are not determined primarily by the factors of profitability or competition. They are the result of differences in collective bargaining history and degree of union organization. Because of these differences, some employees of national firms in various regions are working for clearly substandard wages.

The foregoing exhibits and discussion demonstrate that the proposed wage amendment to the Fair Labor Standards Act is not only feasible, but will further the purposes of the act by elimination of a condition which "(1) causes commerce and the channels and instrumentalites of commerce to be used to spread and perpetuate such labor conditions among the workers of the several states; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce."

IV. THE NEED FOR SHORTER HOURS IN THE WAREHOUSE INDUSTRY

When the Congress first considered the passage of the Fair Labor Standards Act, one of its prime motivations was the urgent necessity to reduce hours of work, not only to relieve an onerous burden upon the workers but to eliminate the mass unemployment which existed at that time.

Again, after a long period of full employment and overtime hours to meet the necessities of war production, we are faced with the possibility of an unemployed army of millions of men and women. We must take prompt and bold steps on a national level to forestall such a development. One such step should be the reduction of the maximum working hours provisions of the Fair Labor Standards Act.

This reduction is completely feasible for most industries, and particularly for warehousing and distribution. Possibly in no other industry have the techniques and methods developed in the course of the war to meet the tremendous supply requirements of the armed services seen such a spectacular advance. Mechanization developed during the war period will be carried into the postwar period, thereby reducing the number of man-hours necessary to maintain prewar productive levels and reducing the labor cost per unit of production. Numerous illustrations in support of this are found in the trade literature of the warehouse and distribution industry. For example, the following statement is made in a bulletin of the Industrial Truck Statistical Association on the subject of unit loads and their handling and shipment and storage:

"An important element in American manufacturing efficiency has been the practice of handling materials in unit loads of 2 to 5 tons on skids, pallets, or other means by which they can in the course of their movement through the plant be picked up, carried, and stacked mechanically. But the transportation of materials from their original source to the manufacturing plant and from the end of processing there to the point of ultimate consumption has not kept pace with developments in plant transportation. The advent of the war and the urgent necessity of moving products and supplies from the production front to the fighting front quickly and in large volume has resulted in a trial of the unit-load method and it has been proven that this method can be readily applied to the distribution of raw materials, semifinished and finished goods, as well as to movements through manufacturing processes. For some time to come it is therefore entirely possible that for every chance to reduce manufacturing costs a few cents there will be opportunities to save dollars in the cost of distribution."

Exhibit 14, reproduced from the same bulletin, shows the economies of the unit-load system as compared with manual methods. This exhibit shows for the fictitious ABC manufacturing companies the elimination of six manual piece-by-piece handlings of goods through full use of a unit-load system in receiving

shipping, and warehousing operations alone. The XYZ wholesalers eliminated all four manual piece-by-piece handlings by maximum use of the system.

Among other advantages the employment of such modern methods of material handling results in (1) substantially reducing handling costs; (2) rapid movement of goods; (3) modern packing methods, fundamental to applying a unit-load system, usually reduce costs; (4) maximum utilization of storage space; (5) reduction in product damages; (6) reduced time and cost of taking physical inventory; (7) reduced time for loading and unloading railroad cars, motor trucks, and ships.

A concrete example of the savings in man-hours and costs is that of pallet handling of cars as developed by the United States Navy to speed handling to points of storage and transshipment, as reported in the bulletin of the Industrial Truck Statistical Association referred to above. The standard unit consists of 22 cartons of assorted items. Thirty-two such unit loads can be stowed in a boxcar by one man and a fork truck in approximately one-fifth the time that used to be required when cartons were loaded one at a time by hand. In other words in this operation one man and a fork truck can do the work that formerly required five men. The cost for the pallet and strapping of such a unit load is more than offset by savings of mechanical handling, direct labor cost being 80 percent less than in the manual operation.

Exhibit 15 consists of statements from trade journals and some individual employers, testifying to savings in manpower and costs by using of mechanical handling devices.

Exhibits 16 through 21 show in deail the spectacular results of modern mechanical methods applying to specific problems in storage and distribution.

The foregoing exhibits and discussion demonstrates, as related to the warehouse and distribution industry, the necessity, equity, and feasibility of shortening maximum hours of work under the Fair Labor Standards Act. In view of the ever-increasing rate of mechanization of the industry with resultant increase in productivity per man-hour worked, and in view of the manpower surplus which is already part of the industrial scene, only a national program of shorter working hours, along with adequate minimum wages, can prevent the mass unemployment, and its concomitant dangers, which threaten the country.

ILWU Exhibit 1

CENSUS CONCEPT OF WHOLESALE

For census purposes the term "wholesaling" or "wholesale distribution" is confined to the operations of wholesale establishments, as hereinafter defined. It does not include wholesale sales made by manufacturers directly from their plants, but does include those made from separate sales establishments of manufacturers, such as sales branches and offices especially maintained for that purpose; nor does the term include wholesale sales made by farmers or by operators of mines, quarries, or oil wells, except from establishments maintained primarily for marketing purposes. Obviously, it was impossible to make the term all-inclusive, that is, to use it in the broadest aspects, since the census was taken on an establishment basis. Had the scope of the Wholesale Census been broadened to include such sales, it would have been necessary to secure a separate distribution report from every producing establishment and from every farmer and nurseryman, in addition to the reports which they submit on production activities to the Census of Manufacturers, Census of Mines and Quarries, and Census of Agriculture, respectively. It has been equally impracticable to confine the term to service wholesalers or to any other limited type of wholesalers, inasmuch as a clear-cut functional division as between different types of wholesale organizations is practically impossible. Much of the wholesale business, even in the sense in which service wholesalers operate, is being done by bulk tank stations, by manufacturers' sales branches and by other types of wholesale establishments.

Source: U. S. Department of Commerce, Bureau of Census, Census of Business: 1935 Wholesale Distribution, vol. 1, United States Summary, p. 4.

ILWU Exhibit 2

Testimony from Transcript of Proceedings Before Board of Arbitration In the Matter of Arbitration Proceedings Between Warehousemen's Union, ILWU, and Association of San Francisco Distributors, 1939

Testimony of Leon A. Bailey, secretary of Warehousemen's Association of the Port of San Francisco since 1913; secretary-manager of the California Warehousemen's Association since 1921; and secretary of the Pacific States Cold Storage Warehousemen's Association for the last 15 years.

(By Mr. Korte, counsel for the employers:)

Q. What is the nature of the business conducted by the members of the association that are signatories to these contracts, as listed in that appendix to exhibit 2?—A. The business is that of a bailee for hire; in other words, the storage of property for the public generally. We are classed as a public utility under the laws of California and our business is regulated, as such, by the Railroad Commission of California.

Q. From the viewpoint of your trading area or distribution area what is your business?—A. Our customers engage in the distribution or transportation of merchandise, I would say, without limitation; that is to say, either export throughout the world, essentially locally on the Pacific coast or shipments as to California products for ultimate eastern distribution.

Q. From the viewpoint of the merchandise handled, what type of business do you handle?—A. All the warehousemen that I am representing here today handle all merchandise except cold-storage merchandise or that which might be prohibited from storage by local ordinance.

Q. How is that merchandise handled from the viewpoint of the package? Is it generally handled in original packages or do you break packages?—A. It is essentially handled in original packages, but there is the service of broken packages; an extension service, but not the majority of the service (tr., pp. 842–843).

Q. What is the nature of your competition?—A. We compete with storage centers along the Pacific coast, such as Portland or Seattle in the Pacific Northwest; the interior cities in central and northern California, for example, Sacramento, Stockton, or Fresno; and with Los Angeles particularly in southern California. We compete locally and, I might say, rather seriously with vacant space existing in San Francisco or Oakland insofar as it is possible for economic purposes or otherwise for our large customers with a satisfactory load factor to utilize private warehouse space and perform themselves the services that we perform. (tr., pp. 844–845).

ILWU Exhibit 3

Testimony From Transcript of Proceedings Before Board of Arbitration in the Matter of Arbitration Proceedings Between Warehousemen's Union, ILWU, and Association of San Francisco Distributors, 1939

Testimony of Leon A. Bailey, secretary of the Warehousemen's Association of The port of San Francisco since 1913; secretary-manager of the California Warehousemen's Association since 1921; secretary of the Pacific States Cold Storage Warehousemen's Association, "a State-wide organization" with "associate memberships in Oregon and Washington in the field of commercial cold storage," for "the last 15-odd years;" also tariff agent for practically all of the commercial warehousemen in Los Angeles and for a large number of the members of the California Warehousemen's Association and the Pacific States Cold Storage Warehousemen's Association

By Mr. Korte, counsel for the employers:

Q. The rates that are charged by the public warehouse for their warehouse service are fixed by the Commission?—A. They have control over the rates. We attempt to develop rates based on what we feel the traffic can stand or what might be the ceiling in competitive relationships with other points or services, but in the last analysis the control of the rates rests with the Commission.

Q. In other words, you have to get approval from the Commission of the rates that you charge?—A. We have to file our rates with the Commission. Those rates must be charged as on file with the Commission and, if they are not, it is a violation of law. They must be charged until they are changed. A tariff having been filed with the Commission cannot be increased except upon the consent of the Commission.

Q. You mentioned another factor that controls the rates, and that was the "ceiling."—A. Yes.

Q. What do you mean by that?—A. In our competitive relationship, as I explained this morning, there is a ceiling naturally beyond which if we go we will lose business to these methods of competition. Therefore, in constructing rates for filing with the Commission they can either be a reasonable rate based upon the full measure of the cost of service, or they can be a depressed rate based upon the measure of competition.

Q. And once the rate is fixed by filing with the Commission, until it is changed with the consent of the Commission that particular rate must be charged? Nothing more, nothing less?—A. That is correct (tr., pp. 887–888).

ILWU Exhibit 4

Testimony From Transcript of Proceedings Before Board of Arbitration in the Matter of Arbitration Proceedings Between Warehousemen's Union, ILWU, and Association of San Francisco Distributors, 1939

Testimony of C. E. Geneva

By Mr. Korte, counsel for the employers:

Q. Will you state your full name, please?—A. C. E. Geneva.

Q. What is your occupation?—A. Manager of the Dodd Warehouses.

Q. The Dodd Warehouses are located where?—A. San Francisco.

Q. And are they public warehouses?—A. Public warehouses; yes, sir.

Q. Under the supervision of the Railroad Commission?—A. That is correct.

Q. How long have you been engaged in that business?—A. Since 1919.

Q. Prior to that time were you familiar with warehousing generally?—A. Prior to that time I had about 12 years' experience in the operating department of railroads, which brought me largely in contact with warehousing operations.

Q. It has been mentioned here in the evidence that one of the forms of competition that the public warehouse has in San Francisco is private space, and other forms are wharf demurrage and pool-car shipments. Have you in mind any specific instances of business that was lost to any one of these forms of competition?—A. Yes, we have had experience in our own operation of loss of business to each of those types of competition. I might cite the specific case of the Frank B. Peterson Co., salmon-packing concern, whose business we enjoyed at our North Point dock warehouse operation for a great many years. That business consisted of about 100,000 cases of salmon for storage each year. The port of Oakland took that business away from us and is handling it now in one of their publicly owned warehouses, and, naturally, we know, and there can be no other assumption, that they were able to make a cheaper basis for handling that business than it was possible for us to do.

Q. Can you recall any other instances of loss of business to other forms of competition?—A. For a great many years in our operation we have handled the business here in San Francisco for the Procter & Gamble Co. It has been one of our major accounts up until the last couple of years, and would approximate in units 20,000 cases of merchandise a year. That consisted of soaps and the cooking fats that the Procter & Gamble Co. manufacture. In the past couple of years that volume has decreased by just about 90 percent due to the fact that in that time they have changed their method of handling and distribution and are taking care of their buyers by direct truck shipments from their factory at Long Beach and the so-called drop-shipment method. That too is something which has been occasioned by economic conditions; in other words, it is a cheaper method for them than handling it through the warehouse. In our warehouse handling we still have the account and the relationship is unchanged, but it only amounts to about 10 percent of what it did prior to this change.

I might also mention an account with which I am familiar that was handled outside of our houses by Central Warehouse. That is the Kellogg Corn Flakes Co. That was for many years a major public warehouse storage account in San Francisco and during the past year the Santa Fe Railroad, through whatever advantages there may be in their ownership of property and their ability to handle and dispose of it in a certain manner, have taken that account away from the public warehouse industry and have established Kellogg as a tenant in one of their buildings, and that volume, which was very large, I would say that it approximates 150 carloads in a year, that volume likewise has been lost to the public warehouse industry on that account.

I think numbers of instances of firms that did business in San Francisco with the public warehouse industry for a great many years have established themselves in their own storage facilities in their own premises. The public warehouses obviously were unable to do what the advertisements of many of the public warehouses of today state that they should be able to do, namely, furnish storage in wholesale quantities on a cheaper basis than a firm can furnish them for themselves.

Q. You mentioned in your answering of the question, Mr. Geneva, the warehousing by the Santa Fe Railroad in connection with the Kellogg Corn Flakes account?—A. Yes, sir.

Q. Do you know what the rate of pay is that the railroads pay their warehouse employees in San Francisco?—A. I cannot give you that accurately, but it is my very firm impression that their rate is around 55 cents an hour for the type of labor that compares with our so-called truckers to whom we pay 75 cents an hour (tr., pp. 2274–2278).

ILWU Exhibit 5

Testimony From Transcript of Proceeding Before Board of Arbitration in the Matter of Arbitration Proceedings Between Warehousemen's Union, ILWU, and Association of San Francisco Distributors, 1939

Testimony of B. R. Funsten, president of Walton N. Moore Dry Goods Co.

By Mr. Korte, counsel for the employers:

Q. What kind of business is conducted by Walton N. Moorse Co.?—A. Wholesale dry goods and kindred lines, wearing apparel, and so forth.

Q. From the viewpoint of the nature of the merchandise and the method of handling, how is the business conducted?—A. We are both manufacturers and distributors. We manufacture quite a lot of the merchandise we sell in the Middle West, East, and South, and it is brought out here in large quantities. We buy certain lines from other manufacturers, bring them out here in large quantities, and distribute them in small quantities to the retailers of the coast (Tr., pp. 992–993).

Q. Is your business competitive?—A. Yes. Our business is quite competitive. Our competition is all over the United States: The east coast, Middle West, north and south of us here and everywhere, in all large centers.

Q. Have you competition in California?—A. We have competition in Los Angeles as well as in San Francisco.

Q. Any other points in California?—A. No. We have a great deal of competition from the mills direct; manufacturers direct. They are from all over the United States (Tr., p. 993).

Q. What part does warehousing play in your industry?—A. Just what do you mean, Mr. Korte?

Q. What is the function of warehousing in the conduct of your business?—A. The function of warehousing is to bring the merchandise out here in large quantities, open it up, and ship it out in small quantities.

Q. Is it the retention of stocks for the service of your customers?—A. We carry large stocks here which enable the retailers of the coast to buy in small quantities.

Q. It is a matter of service?—A. It is a matter of service. All the merchandise we have for sale can be bought in any other market in the United States (Tr., pp. 994–995).

ILWU EXHIBIT 6

TESTIMONY FROM TRANSCRIPT OF PROCEEDINGS BEFORE BOARD OF ARBITRATION IN THE MATTER OF ARBITRATION PROCEEDINGS BETWEEN WAREHOUSEMEN'S UNION, ILWU, AND ASSOCIATION OF SAN FRANCISCO DISTRIBUTORS, 1939

Testimony of Adrien Joseph Falk, vice president and general manager of S. & W. Fine Foods

By Mr. KORTE, counsel for the employers:

Q. What is the nature of the business of your concern?—A. Well, our business may be divided into three classifications. We are locally a wholesale grocery business; that is, in San Francisco and Oakland and their immediate environs. We deal in general grocery business. We are also a canned foods or a foods specialty house in which we do a business out of the San Francisco office covering entire northern California and Nevada and a number of Western States—Idaho, Wyoming, Montana, and such. We also have, what we term branches in a number of cities in this country and elsewhere where we do a business in specialty canned foods. In addition to that, we do a certain amount of processing and manufacturing.

Q. From the nature of the method of handling your merchandise how is the business conducted in San Francisco?—A. In San Francisco?

Q. Yes.—A. Well, I take it that you mean the business, that is, in which the members of the ILWU 1-6 are primarily interested?

Q. Yes.—A. In which they are involved? Well, here we have a wholesale distributing plant and out of this plant we serve San Francisco and Oakland and the immediate vicinity with the nationally advertised merchandise and staples, and out of this plant we also serve our specialties, our canned-food specialties in the western territory that I mentioned—northern California and a number of Western States. To a certain degree we use the warehouse here to supply some merchandise to our various branches.

Q. Do you warehouse your merchandise in San Francisco or do you distribute it as a broker?—A. No, we warehouse (Tr., pp. 1117-1118).

ILWU EXHIBIT 7

TESTIMONY FROM TRANSCRIPT OF PROCEEDINGS BEFORE BOARD OF ARBITRATION IN THE MATTER OF ARBITRATION PROCEEDINGS BETWEEN WAREHOUSEMEN'S UNION, ILWU, AND ASSOCIATION OF SAN FRANCISCO DISTRIBUTORS, 1939

Testimony of Wakefield Baker, president of Baker, Hamilton & Pacific Co., wholesalers of hardware, iron, and steel, and kindred lines

Q. By Mr. KORTE, counsel for the employers:

What is the extent of your market? Where is it located?—A. We solicit very actively business in the lines that we handle, and I might enumerate those. We are large factors in the distribution of paint, electrical supplies, builders' hardware, cookery and glass, household supplies—by that, I mean cooking utensils and small electrical appliances; brass goods, which covers pipe valves and fittings, plumbing supplies; pumps; tools, which covers a full line of mechanics' tools and carpenters' tools; iron and steel and wire products and, generally, hardware. On all of those lines we solicit very actively in northern California, Nevada, southern Oregon, Arizona, and the Hawaiian Islands. We also, not on quite such an active scale, solicit business in the southern end of the State, San Diego and Los Angeles, Seattle, Alaska, and general export business. I might say that in the last 5 years, due to the problems we have had here in San Francisco, we have been forced to withdraw from many of those outlying territories on a real, active scale.

Q. What percentage of your business would you say was local and what percentage was for other centers?—A. By "local" do you mean the metropolitan area?

Q. Yes.—A. I would say that less than 10 percent of our business is done in this area. Naturally in that I am talking about where we ship the goods and not in every instance where the goods are bought (Tr., pp. 717-718).

Q. Is your business competitive?—A. I would say it is very competitive.

Q. The communities which you enumerated a moment ago range from San Diego to Seattle on the Pacific coast and through the interior of California.

Is that the area of your competition?—A. I would say when service is a primary factor that is true. When service is not the primary factor—take for example, the retail hardware trade buying now for their fall requirements and Christmas goods—service is not of any major consequence. Consequently we are confronted with competition from all of the major distributing points throughout the United States such as Chicago, St. Louis, Philadelphia, New York, and Boston (Tr., pp. 719-720).

ILWU EXHIBIT 8

TESTIMONY FROM TRANSCRIPT OF PROCEEDINGS BEFORE BOARD OF ARBITRATION IN THE MATTER OF ARBITRATION PROCEEDINGS BETWEEN WAREHOUSEMEN'S UNION, ILWU, AND ASSOCIATION OF SAN FRANCISCO DISTRIBUTORS, 1939

Testimony of Wakefield Baker, president of Baker, Hamilton & Pacific Co., wholesalers of hardware, iron, and steel, and kindred lines

The WITNESS. It might be well to bring out that a company such as I represent today is handling a large volume of heavy commodities for which there is, we might say, no more than a brokerage in them. In addition to that, many lines that we handle are so-called trade-mark lines and we either have to handle those lines at the resale suggested by the manufacturer or we just don't handle them, that is all.

I recently took a trip East. In fact, I was East the whole month of June. I discussed with many manufacturers the problem of or the advisability of allowing the Pacific coast jobbers of hardware a little longer margin of profit to take care of our additional overhead. They were very considerate and they listened to my story, but they didn't see how they could allow one price here and another price in Denver and another price in Salt Lake City and another one in Chicago. I cannot help believe they are right. If their set-up is satisfactory for the St. Louis, Chicago, and Duluth distributors, it will have to be satisfactory for us or we will lose out.

The CHAIRMAN. Do they not allow you a higher resale price for transportation?

The WITNESS. In some lines. I will say it is in the minority of our business. They establish a western list, but I do not know any major lines that we have today that such is the case. An automobile comes into that category, but practically all of our lines that come under a national brand are not large enough in size or weight to justify two list prices (Tr. pp. 747-748).

ILWU EXHIBIT 9

Wage rates in warehousing industry—Average hourly earnings, October 1942 through January 1943

Branch and kind of business:	
Service and limited-function wholesalers:	
Amusement and sporting goods	$0.817
Automotive	.813
Chemicals, drugs, and allied products	.858
Dry goods and apparel	.938
Electrical	.920
Farm products, not elsewhere classified	.601
Farm supplies	.683
Food products, not elsewhere classified	.825
Forest products (except lumber)	.841
Furniture and house furnishings	.846
General merchandise	.730
Groceries and food specialties	.804
Hardware	.801
Iron and steel scrap, etc	.651
Jewelry and optical goods	.799
Leather and leather goods	.842
Lumber and building materials, etc	.958
Machinery equipment and supplies	.963
Metals and minerals	.944
Paper and paper products	.938

Wage rates in warehousing industry—Average hourly earnings, October 1942 through January 1943—Continued

Branch and kind of business—Continued	
Service and limited-function wholesalers—Continued	
Petroleum and petroleum products	$0.874
Plumbing and heating equipment and supplies	.904
Tobacco	.827
All other	.880
Chain-store warehouses	.735

Source: U. S. Department of Labor, Economic Factors Bearing on the Establishment of Minimum Wages in the Wholesaling, Warehousing, and Other Distribution Industries (August 1943), table 26.

ILWU Exhibit 10

Summary of War Labor Board wage brackets in 3 regions

Job classification	Approvable single rates		
	San Francisco	Chicago	New York
Warehouseman	$0.925	$0.68	$0.68
Packer	.925		
Packer I		.68	.68
Packer II		.55	.55
Order filler	.85	.68	.68
Shipping and receiving clerk	.9875	.72	.72

ILWU Exhibit 11

War Labor Board Brackets in Warehouse Industry

I. SAN FRANCISCO

Wage brackets approved by the regional board, January 21, 1944.

Warehousing industry[1] *in the San Francisco Bay area,*[2] *Stockton, Sacramento, and intervening area*

	Hourly rate	
	Minimum	Maximum
Freight handler and general warehouseman	$0.925	$1.10
Working foreman	(3)	(3)
Shipping and/or receiving clerk	.9875	1.125
Checker	.95	1.075
Packer	.925	1.075
Light warehouse labor (commonly referred to as women's work)	.70	.85
Order filler: Interpolate for heavy industry such as steel, machinery, and plumbing	.85	[4] 1.00

[1] Public warehousing (general and cold storage), and warehousing operations in connection with the distribution at the wholesale level of various commodities, but excluding—

(*a*) Storage and warehousing in connection with manufacturing, except where such operations are incidental to a general wholesale operation.

(*b*) Retail distribution except for operations which are substantially equivalent to warehousing operations at the wholesale level; the question of fact in a given case to be determined by job description and bargaining history.

(*c*) Longshore and stevedore activities.

(*d*) Warehousing on construction and repair industries not under the jurisdiction of the regional board

(*e*) Governmental operations not under the jurisdiction of the regional War Labor Board.

[2] Area bounded by San Francisco, San Anselmo, Novato, Vallejo, Benicia, Pittsburg, Newark, and Palo Alto.

[3] $0.50 per day over contract rate for warehouseman.

[4] Approved June 22, 1944.

II. CHICAGO

Stabilized rates and rate ranges

[Area: Chicago, Ill. Industry: Wholesale warehouses]

Job classification	Stabilized rate	Stabilized range	
		Minimum	Maximum
Freight handler	$0.68	$0.63	$0.73
Packer:			
Grade I	.68	.63	.73
Grade II	.55	.50	.60
Order clerk	.68	.63	.73
Shipping and receiving clerk, head	1.00	.90	1.00
Shipping and receiving clerk	.72	.66	.78
Stockman, head	1.00	.90	1.10
Stockman	.68	.63	.73
Stock helper (boy or girl)	.55	.50	.60
Wrapper	.55	.50	.60
Warehouseman	.68	.63	.73

Industry description

Includes warehouses of wholesale establishments engaged in the following industries: Drygoods; machinery; plumbing and heating equipment and supplies; apparel; automotive equipment and electrical goods; drugs; house furnishings; hardware; amusement and sporting goods; and miscellaneous wholesale trades.

Storage companies are not included.

III. NEW YORK

Approvable salary rates tentatively established by Regional War Labor Board, Region 2, for wholesale and warehouse occupations, metropolitan area

Coverage

Area.—The rates apply to northern New Jersey and metropolitan New York, including New York City, Nassau, Suffolk, Westchester, and Putnam Counties, in New York State; Essex, Hudson, Union, Passaic, and Bergen Counties in New Jersey; and the northeast corner of Warren Township in Somerset County, Middlesex County north of Piscataway and west of South Plainfield, Morris County northeast of Kennelon, and Lincoln Park.

Industries.—The rates apply to the following product divisions: Dry goods; machinery, plumbing and heating equipment and supplies; apparel; automotive equipment and electrical goods; farm products; drugs; house furnishings; hardware; paper; jewelry and costum jewelry; amusement and sporting goods; waste materials; and miscellaneous wholesale trade. Marine and inland warehouse and storage companies are not included.

Occupations.—Rates are established for 11 common job classifications.

Combination jobs

It is characteristic of this field that individual employees frequently have a combination of jobs. It is the practice of the board that where such combinations occur the worker should be classified according to the highest skill required to fill the position, irrespective of whether he is employed a major or minor part of his time in work requiring the higher skill.

Wholesale and warehouse rates and rate ranges

Classification	Single rate	Rate range
Packer, grade I Stock helper (boy or girl) Wrapper Freight handler Order clerk	$0.55	$0.50–$0.60
Packer, grade II Stockman Warehouseman	.68	.63– .73
Shipping and receiving clerk	.72	.66– .78
Shipping and receiving clerk, head	1.08	1.00– 1.16
Stockman, head	1.08	1.00– 1.16

ILWU EXHIBIT 12

Wage rates, Safeway Stores, Inc.

	San Francisco Bay area [1]	Salt Lake [2]	Denver [3]
Warehouseman	$0.92½	$0.75	60 cents first 6 months. 68 cents second 6 months. 76 cents thereafter.
Shipping clerks	.98¾	.80	80 cents.

[1] Collective-bargaining agreements between company and ILWU Locals 6 and 17.
[2] Collective-bargaining agreements between company and ILWU Local 216.
[3] Regional War Labor Board.

ILWU EXHIBIT 13

Wage rates, McKesson-Robbins, Inc.

	Los Angles [1] (after 6 months)	San Francisco [2]	Chicago [3] (experienced)
Order picker	$0.8068	$0.87¾	$0.55
Unloaders	.8068	.92½	.625
Receiving clerk	.8354	.97½	.875
Packer	.8068	.92½	$0.60 –.75
Assistant shipping clerk	.8354		
Assistant receiving clerk	.8354		
Shipping clerks	.8354	.97½	.675–.80

[1] Collective bargaining agreement between company and ILWU Local 26.
[2] Collective bargaining agreement between company and ILWU Local 6.
[3] Collective bargaining agreement between company and ILWU Local 208.

ILWU EXHIBIT 15

"UNLOADING WAS A SERIOUS PROBLEM

"The Washburn Co., Andrews division, Rockford, Ill., manufacturers of wire specialties, use large quanties of wire and black steel plate, which usually comes in heavy bales. A 40-foot ramp was used to unload this material from the freight-car platform, which was 42 inches above the factory floor level. The ramp was undesirable because it required too much space; operations were slow and costly due to the fact that several men were needed to move loaded trucks up or down the incline. The work also involved a hazard to the workmen.

"After installing a Globe industrial lift in place of the old ramp, one man was able to handle a fully loaded truck with ease. And not only did the Globe unit reduce the amount of manpower required, but it actually saved one-third of the time required for loading and unloading operations. Of great importance also was the fact that the lift did away with the physical hazard to employees and released valuable space that was formerly occupied by the ramp." [1]

* * * * * * *

GLOBE HOIST CO.,
Indianapolis, Ind.

GENTLEMEN: For your information, we have effected a saving in labor cost alone which will easily absorb the entire cost of complete installation within 6 months, saying nothing of the injury hazard always apparent under the old method of using a chain hoist, as our shipments are made up in both barrels and boxes weighing up to 600 pounds.

With the use of the Globe lift we save about one-half the waiting time for trucks handling our shipments.

We can certainly recommend your unit as a profitable investment to any concern having similar lifting problems.

Very truly yours,

ELKHART BRASS MFG. CO.,
E. H. HANSEN,
Vice President.[1]

[1] Brochure of Globe Hoist Co., Des Moines, Iowa, and Philadelphia, Pa.

ILWU EXHIBIT 14

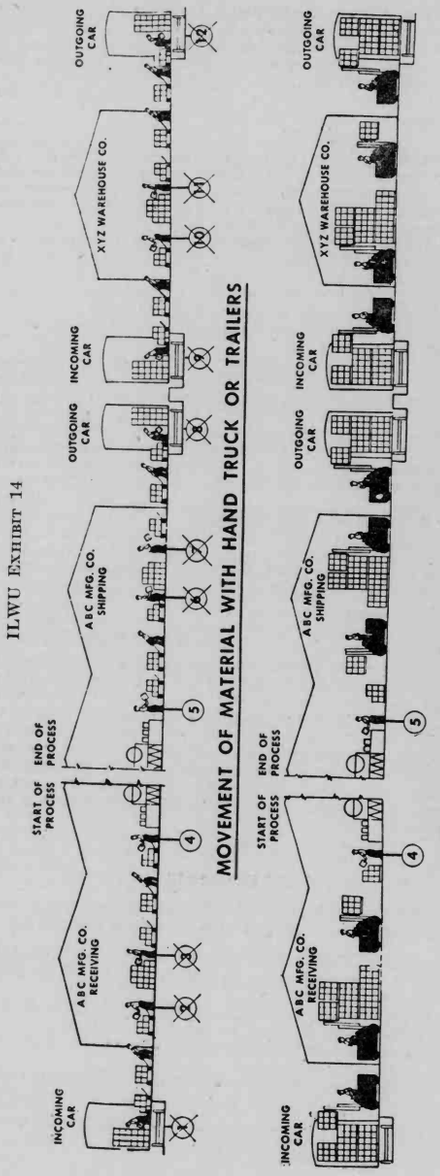

FIGURE 1.—Comparison of manual method and unit load systems.

"The Globe industrial lifts in the shipping department of the Benton Harbor Malleable Iron Works are paying handsome dividends. Loading time has been reduced 50 percent. They have eliminated the full-time labor of two men. And they have practically eliminated accidents. Three big savings as the result of one comparatively small investment." [1]

* * * * * * *

AUTOMATIC TRANSPORTATION CO.,
Chicago, Ill.

GENTLEMEN: Through your west coast representative, E. C. Buehrer Associates, several months ago, we installed a Transporter to handle bulk butter in cartons and cases of eggs. In considering this truck, we had two major problems:

1. Maneuvering in very close quarters in and out of our cold-storage boxes and around our congested shipping floor; and
2. A ramp condition from our shipping dock up into highway trucks.

Our doubts have been eliminated, as your truck has more than fulfilled our needs. Previously we used four and five men for the moving of hand-lift trucks up the ramp into trucks, and this is now accomplished with one operator. The truck performs smoothly and easily in the tightest of places.

As soon as we possibly can, we intend equipping all of our Pacific coast packing plants with the Transporter.

Another consideration was how would we maintain this truck in regular operation. This was an especially important question with us, as we do not employ a regular maintenance man fully acquainted with electrical operation. We now have found that it is not necessary, as we have no maintenance problem with this truck. The batteries are giving us a faithful full day's service with plenty to spare, and the charger has been adequately performng its operation within specified times during off hours. For these reasons, we are placing an order for our second unit which we hope to have in operation at the earliest possible date.

The Transporter has done such a wonderful job for us that we are delighted at the opportunity of demonstrating it for the various local houses interested, and if there is anything we can do to help others in the selection of their material-handling equipment or in the solving of their trucking problem such as faced by us, we will be pleased to have them contact our organization at any time.

Yours very truly,

NYE & NISSEN,
By A. MONCHARSH, *President*.[2]

"A profitable solution to plant trucking problems was made by the Line Material Co., South Milwaukee, Wis., through the use of battery-powered transporter platform lift trucks.

"*Problem.*—Departmental and general plant skid load trucking of various materials used in the construction and operation of electric power lines. Trucking done in a series of three-story buildings with bridges, overpasses, and ramps 6 to 30 feet, average grade 12 percent, requiring as many as four men per skid trucking.

"*Solution.*—'Transporter' operations effected monthly savings of $1,020 based on 30,000 productive standard hours or 46 percent savings over back-breaking job of hand trucking over ramps." [3]

* * * * * * *

ILWU EXHIBIT 16

MECHANIZATION OF FREIGHT HANDLING—CASE STUDY HANDLING VARIOUS MATERIALS AND SUPPLIES FOR SOAP AND FOOD PRODUCTS PRODUCTION

Problem.—Unloading, storing, and movement from storage to production of carloading shipments and from production to distribution of all kinds of materials used in making soap and food products.

Old method.—Cartons, boxes, bags, drums, barrels, hogsheads, etc., ranging from 40 to 2,000 pounds per package, received in carload lots. Hand-loaded on live or dead skids and moved by tractor, low lift or hand truck, to their temporary destination, unloaded and stacked manually.

New method.—For truck pallet system has eliminated manual piece-by-piece handling, suppliers loading cars in unit loads on pallets or stringers.

[1] Brochure of Globe Hoist Co., Des Moines, Iowa, and Philadelphia, Pa.
[2] Modern Industry, September 15, 1945, p. 85.
[3] Modern Industry, March 15, 1945, p. 155.

Savings.—Use of 1 fork truck saves the work of 10 men per 8-hour shift or 80 man-hours. At 80 cents per hour, this means a reduction in direct labor costs of $64 per shift, at a cost to the company of $1.50 per hour or $12 per shift. The total net saving, therefore, is $52 per 8-hour shift.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, p. 14.

ILWU EXHIBIT 17

MECHANIZATION OF FREIGHT HANDLING—CASE STUDY, UNLOADING AND STORAGE OF SMALL ARMS AMMUNITION

Problem.—Unloading railroad cars and storing cases of small arms. The carload consists of about 360 150-pound cases.

Old method.—Cases manually removed from cars, placed on trailers, which were hauled to storage, where cases were manually piled.

New method.—Cases are loaded on pallets at the end of the production by the shipper and shipped on pallets. All handling is in unit loads by fork truck, which tiers them in storage at destination.

Savings.—New method requires a fork truck, truck operator, and one other worker 1½ hours to unload and store a carload, a total of 3 man-hours.

Old method require four men to unload the car and four additional men to move to and place in storage. All eight men were required for 6 hours, or a total of 48 man-hours.

The saving in direct labor, therefore, by the new method, at 80 cents per hour, is $36 per car unloaded.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, p. 14.

ILWU EXHIBIT 18

MECHANIZATION OF FREIGHT HANDLING—CASE STUDY, HANDLING RAILROAD CAR WHEELS

Problem.—To maintain the same high level of production of railroad car wheels while faced with a shortage of wheel rollers. Wheel-rolling is a semiskilled and heavy job which new men are reluctant to tackle.

Old method.—Five-wheel rollers were used to roll the 750-pound railroad car wheels from the cleaning room to one of three storage points, each 300 feet away. A man could handle only one car wheel at a time, and a round trip averaged 3 minutes. In order to maintain the required production level it was necessary that these wheel rollers work 60 to 75 hours a week.

Solution.—The wheel rollers now roll the car whels only 10 to 20 feet from the cleaning room to a storage space just outside the door. From this point a fork truck with a woman operator picks up five car wheels at a time and carriers them to one of the three storage areas. The fork truck completes the round trip in about the same time it took one man to roll one wheel to storage and return for the next wheel.

Savings.—Production level is being maintained with each wheel roller working only 40 hours a week, and even during this time they are often available to do other work in the plant. This affects a direct savings of 5×(65—40) or 125 man-hours a week. At 90 cents per hour this is a saving in direct labor of $112.50 per week. In addition to handling all of the car wheels as they come from the cleaning room, the fork truck has time available during the day shift to remove scrapped wheels to the smelter. This work formerly required the services of three men every other day.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, p. 13.

ILWU EXHIBIT 19

MECHANIZATION OF FREIGHT HANDLING—CASE STUDY

HANDLING SHEET STEEL

Problem.—Handling sheet steel (30 by 85 inches, 20 gage) from cars to storage to production.

Old method.—Sheets solidly packed in carload lots of from 60,000 to 80,000 pounds, were unloaded manually one at a time, put on push trucks, taken to storage and hand-piled. This required 22 man-hours per car. For movement

from storage to production, the shearman and his helper went to storage and hand-loaded 25 or 30 sheets on a push truck.

New method.—An electric fork truck was bought in 1939. Sheets are ordered to arrive stacked across the car with 2 by 4-inch dunnage between vertical stacks weighing about 2,500 pounds each. Fork truck moves unit loads to storage where they are piled vertically on 2 by 4-inch dunnage. When needed at production, the fork truck moves unit load to shears, placing it on a skid located on a table, at working level for shearman and helper. From shears through production to completion of process, steel moves by fork truck and skids.

Savings.—Instead of 20 man-hours, only 1½ man-hours are required to unload a car. This saving in direct labor per car unloaded, at 80 cents per hour, is $14.80 which is duplicated in moving sheets from storage to production. Total saving is, therefore, $29.60 per car unloaded, moved to storage and then to the start of process.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, pp. 13 and 14.

ILWU Exhibit 20

Mechanization of Freight Handling—Case Study

HANDLING SHIPMENTS OF COMPRESSED GAS CYLINDERS

Problem.—Storage and shipment of cylinders of compressed gas.

Old method.—Cylinders received and individually rolled or trucked from incoming cars or highway trucks to storage; procedure reversed for shipping: cylinders stored on end, utilizing only two-thirds of permissible floor loading.

New method.—Fifteen cylinders made into a pallet load upon arrival. Unit loads tiered three high in storage by means of fork truck and full permissible floor loading utilized. When shipped, a fork truck places unit loads of six cylinders each into car or truck.

Savings.—A shipment of 150 cylinders is moved from storage, an average distance of 75 feet, and loaded onto a highway truck in 15 minutes, requiring the services of a fork truck and a woman operator.

The old method required five men at least three-quarters of an hour, or 3¾ man-hours. The direct labor saving, therefore, at 80 cents an hour, is $2.80 per truckload, or $0.0186 per cylinder.

Since the cylinders remain on pallets during shipment, the saving at destination, where the carrier is unloaded by fork truck, is duplicated. Obviously, highway equipment, because of quick loading, is released for greater service on the highway.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, pp. 14 and 15.

ILWU Exhibit 21

MECHANIZATION OF FREIGHT HANDLING—CASE STUDY CARLOADING OF BALED PAPER PULP

Problem.—Loading carloads of baled paper pulp for shipment.

Old method.—Loading was done by men with two-wheeled hand trucks. Two 500-pounds bales were wheeled into the car and unloaded by two men who stacked them.

New method.—Two fork trucks with very thin forks handle four bales at a time and stack them in the car. Two men in the car straighten bales so they ride better after car is fully loaded.

Savings.—By the new method, two crews (six men and two fork trucks) load 12 to 14 cars, the mill's capacity, in 8 hours. Formerly this required 24 men for 8 hours. The savings, therefore, in direct labor cost amount to 144 man-hours, which at the date of 80 cents an hour means $115.20 per 8-hour day.

Source: Unit Loads, Their Handling, Shipment, Storage, Industrial Truck Statistical Association, 1944, p. 15.

Impact of Fair Labor Standards Act and Proposed Amendments Thereto on Hawaiian Sugarcane Industry

The present statutory exemption from coverage under the hours provision of the Fair Labor Standards Act has been such as to create a great and serious inequity in the cane sugar industry. By virtue of the specific language of section 7 (c) more than 10,000 workers in the cane sugar milling industry of the

Territory of Hawaii have been excluded from the hours protection of the statute during the entire 10-month sugar milling season, and granted only the pro forma benefits of the statue during the 8- to 10-week nonproductive season, while agricultural workers are totally excluded from the act's coverage.

Because the cane sugar industry is the dominant and basic element in the life of our vast Pacific Territory, and because it is the key to the Territory's entire economic structure, we shall deal primarily here with the impact of the present statue upon the cane sugar industry of Hawaii, and secondarily with the effect of the proposed amendments upon the sugar industry.

Today the war-inflated population of the Territory of Hawaii is considerably in excess of a half million civilians. Hawaii is more than 6,400 square miles in size, a third larger than the State of Connecticut, and equally rich. The total population in 1939 was 415,000, a gain of almost 47,000 over the 1930 census, and of 159,000 over the 1920 census. It is safe to assume that the post-war civilian population will not fall below 500,000.

Although the missionaries first came to Hawaii for religious reasons, they remained to raise sugar. Since the commercial cultivation of cane sugar, thousands upon thousands of workers have been imported from all of the world's continents and regions to provide manpower for the sugar fields and mills. "King Cane" has ruled Hawaii for more than 60 years.

Hawaii's economy could not be an isolated one. Its sugar is grown for export to the mainland, its consumer goods are imported. Hawaii is the home of rationalized, mechanized agriculture, and agricultural processing. Its sugar plantations and its cane mills, its pineapple fields, and its modern canneries are models of their kind.

NATURE OF HAWAIIAN SUGARCANE INDUSTRY IN RELATION TO FAIR LABOR STANDARDS ACT

The cane sugar milling industry has been unjustly excluded from the hours provisions of the Fair Labor Standards Act since its passage in 1938.

The declaration of policy in section 2 (a) of the act states the finding of the Congress that "the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the health, efficiency, and general well-being of workers" spreads and perpetuates such conditions, burdens commerce, constitutes an unfair method of competition in commerce, leads to labor disputes, and interferes with the orderly and fair marketing of goods in commerce.

The provisions of the act then proceed to establish what have become colloquially known as a "floor for wages" and a "ceiling upon hours." By direction of the Congress, expressed in section 7 (c) of the statute, there are excluded from the hours provisions of the act employees of an employer "engaged in the processing of sugar beets, sugar beet molasses, sugarcane, or maple sap, into sugar (but not refined sugar)."

The legislative history of the act reveals that the "first processing" and "agricultural processing" exemptions of the act were directed mainly at industries processing agricultural products which were marked by one or more of the following characteristics: seasonality of operation, extreme fluctuation in labor supply, perishability of the product, employment of migratory workers, etc.

These criteria do not apply properly to the cane-sugar milling industry. It is time not only that the general agricultural exemption was lifted but more particularly and immediately that the milling of cane sugar into raw sugar be covered by all benefits of the act, which now covers in totality only the workers engaged in the refining of raw sugar into edible sugar.

The cane-sugar industry has three distinct stages. The first step is the growing and cultivation of cane and the second the milling of cane into raw sugar, both stages being carried on in the Territory of Hawaii by 35 plantations, which produce a total of approximately 900,000 tons of raw sugar per year. In the year 1938 no single plantation produced less than 3,000 short tons of raw sugar, while during that same year 12 plantations produced in excess of 10,000 tons, 6 plantations in excess of 20,000 tons, four plantations in excess of 30,000 tons, 3 plantations in excess of 40,000 tons, and 4 plantations in excess of 50,000 tons of raw sugar. Thus the production of raw sugar in Hawaii is in every sense of the word not only big business but major industry.

The third step in the sugar industry, the refining of raw milled cane sugar into edible and consumption sugar, is divorced, by accident of Hawaii's location, from the first two stages. In peacetime, 97 percent of Hawaiian sugar was exported to the mainland for refining, largely because of the greater economy and practicability of shipping raw sugar to mainland mills rather than shipping refined

sugar at higher costs. More than 60 percent of all Hawaiian sugar is refined at Crockett, Calif., on San Francisco Bay, by the California & Hawaiian Sugar Refinery, jointly owned and operated by the large factors controlling the Hawaiian sugar industry. An additional 10 percent is refined in San Francisco by the Western Sugar Refinery, while of the remaining 30 percent the overwhelming majority is normally shipped through the Panama Canal to New York for refining by the National Sugar Refining Co. at its Edgewater, N. J., and Long Island City, N. Y., refineries.

Both production and employment in the Hawaiian cane sugar milling industry showed an extraordinarily high degree of stability prior to the war. Although the last decade has shown a constant downward trend in total employment in the industry, resulting from the increased productivity both of the industry generally and of its individual workers, the industry has never been characterized by seasonal fluctuations in employment.

The cooperative activities of the Hawaiian sugar operators, through their trade association, the Hawaiian Sugar Planters' Association, have done much in the 50 years since the association was founded to rationalize the industry. Because favorable soil and climactic conditions allow year-round maturing of the sugar crop, it has been to the advantage of the Hawaiian planters to maintain a stable labor force and to so schedule their planting as to enable mill operations (that is, the grinding and milling of cane into raw sugar) to continue throughout the year.

The grinding season, during which all mill employees are excluded from the hours provisions of the Fair Labor Standards Act, is limited only by the needs of mill maintenance. Cane is harvested and mill during 10 months of the year. During the remaining 2 months the mill is shut down and essential repairs are made on the mill, plantation machinery generally, and plantation facilities. Ironically enough, during this nonproductive season, employees of the mill are covered by the 40-hour week provisions of the F. L. S. A.

EMPLOYMENT IN THE CANE SUGAR INDUSTRY OF HAWAII

Sugar and its twin product, pineapple, are the economic bases of Hawaiian life. As automotive production is the trade-mark of Detroit, and steel and coal characterize the Pitssburgh area, so sugar and pineapple are the twin industries of Hawaii. Prior to the war direct employment in these industries exceeded 50 percent of total employment in the Territory, while an appreciably higher percentage of wage earners were employed in industries directly and indirectly dependent soley thereon.

James H. Shoemaker, author of the basic study, Labor in the Territory of Hawaii, published in 1939 by the United States Department of Labor (76th Cong., 3d sess., H. Doc. No. 848), declares:

"The production of this sugar involves far more labor than does any other industry in Hawaii. The sugar plantations alone require 31.1 percent of the total number of gainfully employed and provide wage payments amounting to over 28 millions annually.

"In addition to this there are many workers outside of the plantations who are engaged in occupations directly and solely dependent on sugar production. Thus *the industry represents well over one-third of the total employment in the Territory*" (Shoemaker, p. 11; italics supplied).

Average employment in the sugar industry for the year 1944, as reported by the Hawaiian Sugar Planters' Association, totaled 24,718 adult males, 2,246 adult females, and 4,671 children and part-time workers, or a total of 31,635. The number of adult male employees who are described by the H. S. P. A. as "unskilled" comprised 22,546 of the above number, and represents a decline of 43 percent from the total of 39,574 "unskilled" male workers employed in 1936. These figures cover field, mill, and maintenance workers, the H. S. P. A. always reporting and publishing figures of total labor supply only because of the inherent inseparability of mill (industrial) and field (agricultural) operations in the highly integrated sugar industry.

It has been roughly estimated that at least 10,000 full-time employees of the sugar industry, or approximately 40 percent of the total, are engaged in mill and maintenance or other nonagricultural occupations. These estimates are borne out by eligibility lists compiled for use in National Labor Relations Board elections and by the fact that the number of workers covered by unemployment compensation totaled 10,592 on June 15, 1945, as reported by the Social Security Board representative in Honolulu.

PRODUCTIVITY OF LABOR IN HAWAIIAN CANE-SUGAR INDUSTRY

The last few decades have seen marked increases in the total productivity of the Hawaiian sugar industry. Spectacular increases have occurred within the last decade in the productivity of sugar workers. This is demonstrated by the fact that though the employment of "unskilled" adult males decreased by some 43 percent from 1936 to 1944, production declined by only 16 percent.

Certain figures are available covering total sugarcane acreage and total annual production. These figures are inherently misleading as the maturing of the Hawaiian sugar crop takes normally from 16 to 24 months and production cannot be measured per acre (as on an annual crop) but should properly be measured in tons per acre-month. In 1914 the total acreage under production was 224,420, and the tons of sugar produced totaled 617,038. This is an average of 2.75 tons per acre in production. By 1932, total acreage under cultivation had increased less than 2 percent, to 226,707, while tons of sugar produced totaled 1,025,354, or 4.52 tons per acre in production.[1] No employment or man-day figures are available for these two periods, but it is significant that with acreage fairly constant, because no additional suitable acreage remained uncultivated, production increased by 66 percent.

Recent increases in productivity, which indicate the extensive application of rationalized techniques to this factoryized system of agriculture, are likewise revealing:

The Hawaiian Sugar Planters' Association, in a letter dated May 17, 1945, to Gov. Ingram M. Stainback, of the Territory of Hawaii, requesting his assistance in obtaining the importation of Filipino workers to the Territory to assist in the cultivation, harvesting, and milling of sugar, incorporated these pertinent statistics on the sugar industry:

Year	Sugarcane acreage	Production, tons of sugar	Average number of unskilled male adult employees	Total man-days worked by unskilled male adult employees
1936	245,891	1,042,316	39,574	11,147,450
1941	238,111	947,190	30,646	8,870,704
1944	216,072	874,947	22,543	7,062,227

Analysis of these statistics is revealing:

Between 1936 and 1944 sugar acreage declined by 12.1 percent, largely as a result of the appropriation of productive acreage for military use.

Production during this period declined by 16.1 percent.

Employment of unskilled adult males declined by 43 percent.

Total man-days of employment by these workers declined by 36.6 percent.

It is immediately apparent that the decline in total man-days of employment is proportionately far greater than the decline in either acreage or production. Increased efficiency and mechanization coupled with longer working hours have resulted in the increased individual productivity.

Production per man-day in 1936, on the basis of the above statistics of the H. S. P. A., was 0.0935 ton, while production had by 1944 increased 32.5 percent to 0.1239 ton. It should be noted that the 1944 and 1945 crops are the first to be planted, harvested, and milled totally under wartime conditions.

EFFICIENCY OF THE CANE-SUGAR INDUSTRY OF HAWAII

Mechanization of sugar production at all stages has done much to eliminate the agricultural characteristics of the industry. This is conceded by the Hawaiian sugar companies in their own public statements and annual reports.

The Pioneer Mill Co., Ltd., operating on the island of Maui, T. H., in its report for the year ending December 31, 1944, declares "In 1943, we started a new form of harvesting for us by grab-loading into trucks, hauling to the main line and transferring to cane cars." The 1944 crop totaled approximately 4,600 acres of which 3,400 acres, or roughly 74 percent, were mechanically harvested.

[1] Taylor, William, The Hawaiian Sugar Industry, table 4, p. 48 (a thesis submitted in partial requirement for the doctoral degree, University of California, 1935).

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Pioneer Mill is frank in stating its program. "In 1944," the report declares, "we spent $137,298 for improvements and replacements. The increase over 1943 was all for additional equipment such as tractors, bulldozers, loaders, and mill machinery *to help get more production with less manpower*." (Italics supplied.)

Lihue Plantation Co., Ltd., on the island of Kauai, reported as of December 31, 1944, that "all cane milled during the year was mechanically harvested," and added that the company "harvested a crop that established for us new record earnings per year for both cane and sugar, and which only twice had been exceeded in total tons of sugar."

The pattern of the Hawaiian cane-sugar industry leads to increasing mechanization and to a consequent elimination of the differentials in job content between outside field jobs and mill or transportation jobs. The pattern is not a new one, as students of the field recognize, but acceleration of mechanical efficiency in industry generally during the war period, particularly in all aspects of materials handling, is rapidly changing the face of the already highly rationalized Hawaiian-sugar industry.

William Taylor, in his University of California doctoral thesis, the Hawaiian Sugar Industry, declares that the sugar mills are models of industrial efficiency, and cites a 1931 publication of the United States Bureau of Labor Statistics which states: "Perhaps nowhere else is an agricultural industry so highly routinized and mechanized. *Sugarcane raising in Hawaii is factoryized agriculture*" (U. S. Department of Labor, Bureau of Labor Statistics, Bull. No. 534, 1931)). (Italics supplied.)

Mr. Taylor found that the high efficiency of production in Hawaii has constantly elicited pæans of praise from expert investigators the world over, and adds, in reference to the integrated monopoly control of the Hawaiian sugar industry, "The plantations are in effect so many branch plants with no problems but those of production and operating under a federated administration. * * * The level of efficiency is still the highest of any sugar country in the world" (Taylor, pp. 53, 71–72).

The efficiency of the Hawaiian sugar industry results from the close integration of agricultural and industrial operations, as well as from the application of modern techniques and mechanization. James H. Shoemaker refers repeatedly to this combination in his study, Labor in the Territory of Hawaii, saying:

"In Hawaii the *growing of cane and manufacturing of raw sugar are combined in a single plantation*, based on a carefully planned planting and harvesting program to provide a continuous flow of cane into the mill. Under these conditions small-scale operations are inefficient" (Shoemaker, p. 24; italics supplied).

Dealing with the absence of seasonality in Hawaiian cane-sugar operations, Shoemaker reports:

"Employment in the production of sugar in Hawaii continues throughout the year. In this respect *it is more like employment in manufacturing operations* with moderate seasonal fluctuations than like agricultural operations in the continental United States. * * * But at least once a year the mill must be stopped for a thorough overhauling. This requires about 2 months, usually sometime between the 1st of October and the end of December * * * much of the field work ceases during the off season or repair period. The plantation management, however, carries its employees through this period by using the time not only for mill repairs, but for a general overhaul of the whole plantation, including work on roads, irrigation ditches, and railways; the repairing of tractors, trucks, steam engines, pumps, and electrical power plants; and the building and painting of houses, offices, etc. For this reason, *it is frequently stated that seasonality has been entirely eliminated in the Hawaiian sugar industry*" (Shoemaker, p. 57; italics supplied).

THE PLANTATION COMMUNITY

The Hawaiian sugar industry is large-scale industry. Because the product is basically agricultural in character, and requires extensive acreage, and because the plantations thus are large, sugar workers normally live entirely upon plantation property. Within the plantation community reside both the field or entirely agricultural workers, and the mill and industrial workers of the sugar community, living a common community and working life.

The typical Hawaiian sugar plantation is "a small world in itself." Shoemaker finds that it usually consists of—

"(1) The plantation town, which includes stores, clubs, a motion-picture theater, a recreation field, hospital, and such services as electric lighting, a water system, police and fire protection; (2) a transportation system, including trucks, tractors, and in most cases a railroad; (3) the plantation land area, only about a third of it devoted to sugar, the remainder including some unused wooded land, a small dairy or ranch, an area set aside for diversified crops, and the plantation town itself; (4) repair shops with expert mechanics for the maintenance of trucks, tractors, railroad equipment, and mill machinery; (5) the sugar mill; (6) the central office of the management where continuous and remarkably detailed records covering every aspect of the plantation are kept" (Shoemaker, p. 70).

It is inequitable to discriminate among the various groups of plantation employees with respect to benefits of Federal legislation such as the Fair Labor Standards Act, and anomalous and unjust conditions have resulted from the discriminatory coverage of the present act.

WAGE RATES IN THE CANE-SUGAR INDUSTRY OF HAWAII

No adequate statistical data are available covering wage rates of agricultural workers in the Hawaiian cane-sugar industry. It is widely known, however, that the basic cash-wage rate for both field and mill workers is 28 cents per hour, which is augmented by a 30½-percent Federal bonus under the Sugar Act of 1937 to create a total base wage of 36.54 cents per hour. In addition to this cash base wage (lower rates being paid to superannuated, disabled, and occasional minor workers) workers receive shelter and medical care in the form of "perquisites" which are valued by the employer for tax purposes at 6 cents per hour.

Parity has long been maintained between basic mill and field wages because the labor supply for both groups of workers is one, workers live in the same plantation community, and job transfers are often made between field and mill jobs. This is particularly true of workers engaged in transportation operations.

Hawaiian sugar wage rates are extremely depressed. They are far below mainland levels in the cane-sugar industry, far below levels of health and decency and only in bare conformity with minimum wage provisions of Fair Labor Standards Act. Thus the cash minimum wage of 36.54 cents per hour, which covers an estimated 15 to 20 percent of the workers, when supplemented by a record "allowance" of 6 cents per hour covering the cost of perquisites supplied, as reported by the employers for tax purposes, yields a total wage of only 42.54 cents per hour. It should be noted here that until January 1, 1945, the Federal sugar bonus was only 25 percent of basic wages, and that until that date, therefore, basic earnings consisted of 35 cents cash plus an estimated 6 cents in perquisites, yielding a total of only 41 cents per hour.

Notwithstanding the fact that the field workers were not covered by any minimum-wage legislation until the extension of coverage of the Territorial Wage-Hour Act on July 1, 1945, parity in basic rates with basic mill rates has obtained.

Wages of all field and mill workers will be increased 7 cents an hour, straight time, as of July 1, 1945, as the result of the recent adoption of collective bargaining agreements between the International Longshoremen's and Warehousemen's Union and more than 30 sugar plantations. (This increase is 7 cents net, and consists therefore of a basic wage increase of 5.366 cents and application thereto of the 30½ percent Federal sugar bonus in the amount of 1.636 cents, totaling 7 cents.)

In July 1945 during the course of negotiations with the sugar-industry employers, the International Longshoremen's and Warehousemen's Union distributed a wage and classification questionnaire to approximately 10,000 "industrial" sugar workers, comprising the total labor force of 32 plantations, in the following departments: Mill, boiling house, garage, transportation, store and boarding house, pump, construction and maintenance, and laboratory. A total of 5,053 complete and usable returns were received.

An analysis of the distribution of returns and average hourly wage rates by departments of the so-called industrial divisions of the sugar-milling industry is appended as ILWU exhibit 22. The industry-wide, territory-wide adjusted average hourly wage rate, including the 30½-cent sugar bonus is 48.4 cents per hour. Even assuming that the value of perquisites is 6 cents per hour, the total wage is still below the 55-cent "substandard" minimum established by the War Labor Board on the mainland. Subsequent sections of this statement will refer to the relation of wages to prices in the Territory of Hawaii.

ILWU EXHIBIT 22

Average hourly wage rates, by departments, cane sugar milling industry of Hawaii, July 1945

Department	Classifications covered	Number of workers	Average hourly wage rate (including 30— percent bonus [1])
Mill	Asbestos man, ashman, bagasse man, cane carrier, cane stripper, cane washer, cleaning-plant operator, crusher feeder (crusher man), engine tender, fireman (boiler operator), janitor, juice boy, lime-kiln tender, powerhouse operator, pump tender, roller operator, scaleman (weigher), trash man, utility man, water tender.	983	$0.465
Boiling house	Bag distributor, bag filler, sugar bagger, bag sewer, centrifugal machine operator, clarifier, evaporator, filter, juice heater, juice scaler, limer, molasses boy, molasses pump tender, pan man, remelt man, sugar loader, warehouse clerk, warehouseman.	541	.472
Garage	Battery helper, battery serviceman, blacksmith, bookkeeper, bricklayer, clerk, machinist, mechanic, painter, service-station attendant, spare loader driver, spare loader helper, tire and tube man, truck driver, utility man, welder.	357	.518
Transportation	Cane car oiler, cane car pusher, cane hauler, cane unloader operator (cane feeder, hookman), cane unloader helper (sweeper), cane weigher, checker, flume carpenter, flume switchman, locomotive brakeman, locomotive engineer, locomotive fireman, locomotive spare man, locomotive wiper, mule driver, mule man, portable track worker, section-gang laborer, switchman, telephone operator, tractor driver, transfer station worker, truck driver, truck driver's helper, wagon driver.	1,276	.479
Construction and maintenance.	Blacksmith, bricklayer, building repair man, camp cleaner (yardman), carpenter, construction man, drill operator, electrician, elevator operator, jackhammer operator, janitor, machinist, mason, mechanic, painter, pipe fitter, plumber, rat catcher, road repairman, roller operator, sanitation worker, shovel operator, timekeeper, tinsmith, toolroom clerk, truck driver, watchman, welder.	1,407	.496
Laboratory	Analyzer (assistant chemist, shift chemist, benchman), clerk, janitor, sample carrier (laboratory man).	89	.471
Store and boarding house.	Bookkeeper, butcher, clerk, store, cook, janitor, lumberyard worker, salesman, secretary, storekeeper, warehouseman, warehouse clerk, warehouse helper, watchman.	334	.505
Pump	All workers	66	.499
All departments		5,053	.484

[1] The base hourly wage rate in the sugar industry for mill labor is 28 cents per hour, with the exception of handicapped or superannuated employees and minors. All rates are augmented by the payment of a bonus, expressed as a percentage of the hourly wage, paid under the provisions of the Sugar Act of 1937. The bonus constituted 25 percent of base pay during the year 1944, bringing basic cash wages in the industry during that year to 35 cents. The bonus was increased by Federal order effective Jan. 1, 1945, to 30½ percent of base wage, which when applied to the 28-cent rate then prevailing raised the actual cash base wage in the industry to 36.54 cents per hour. The rates shown herein include the full 30½-cent bonus but exclude the cost of housing and other facilities furnished by the employer which are assumed for tax purposes to be valued at 6 cents per hour.

Source: Union questionnaire (see copy attached) circulated July 1945 to all workers in above-named departments at 30 out of 34 operating sugar mills, Territory of Hawaii. Estimated total number of workers in group, 10,000; returns received and usable, 5,053.

[Copy]

Name of plantation_____ Name of island_____

WAGE-RATE QUESTIONNAIRE [1]

(July 1945)

Your union (ILWU) wants to know the hourly wage rates of workers on as many jobs on as many sugar plantations as possible in the Territory of Hawaii. This information will help to get the rates standardized and raised. It is necessary for you to give your names, but all personal information will be kept strictly confidential.

See footnote on p. 1055.

What is your name? (Please print)_____
How old are you?_____ Male or female?_____
When did you start work on this plantation?_____
When did you start your present job on this plantation?_____
When did you start work in the sugar industry?_____
What is your base pay per hour (not including bonus)?_____
(If you are paid by the month, give salary. If you are on piecework or contract, you will have to estimate this figure; if so, write "about" or "approximately", as well as the figure).
Do you get incentive payments in addition?_____ If so, how much do they amount to per month?_____
Do you get "extra hours" on your job?_____ If so, how many hours must you actually work a week before you get overtime?_____
How many days paid vacation did you get in 1944?_____

INSTRUCTIONS

A list of jobs follows this questionnaire. It includes the principal nonagricultural jobs on the plantation.

Put a cross (X) after the names closest to the title the company gives your job. Put a cross after only one job unless the company itself gives you a combined title.

Then draw a circle (○) after the names of any additional jobs you perform without having the title.

(A company may call a man an evaporator, but he also operates a filter and a clarifier. Such a man should write (X) after "evaporator," and (○) after both "filter" and clarifier.")

On the following 3 pages were listed by departments the job titles and classifications which are grouped on p. 1 of this exhibit.

The classifications covered by the wage study are also set forth in ILWU exhibit 22. Thus it will be seen that the construction and maintenance department, which includes among its many workers skilled journeymen such as blacksmiths, bricklayers, carpenters, electricians, machinists, masons, mechanics, painters, plumbers, tinsmiths, and welders has an average hourly rate below 50 cents.

The distribution of wage rates within departments of the sugar plantations is exceedingly important. A break-down has thus been made, in ILWU exhibit 23 of the spread of rates, with all basic rates between 28 and 60 cents an hour grouped in 3-cent intervals. The basic rates have been adjusted on the following exhibit by application of the 30½ percent sugar bonus.

The largest single department from which returns were received was the construction and maintenance department with 1,407 reported rates. The largest single group of workers in this department receive total cash wages of between 36.54 and 39.15 cents per hour, while 150 workers in this department, slightly in excess of 10 percent of the total receive cash wages below 35.24 cents per hour including the sugar bonus.

Of 983 mill employees, 488 or approximately 50 percent receive cash wages below 43.07 cents per hour, while in the boiling house 251 employees out of 541, receive wages below this figure.

Analysis of the percentage distribution of wage rates and of the cumulative percentages reveal the extreme compression of wage rates. Fifty-five percent of all workers receive less than 47 cents cash per hour, while an additional 34½ percent of all workers receive between 48 and 62½ cents cash per hour. Of a total of 5,053 workers only 510 workers or roughly 10 percent receive in excess of 63.95 cents per hour, and of this number only 3.3 percent receive over 75 cents cash per hour.

[1] The above is a reproduction of p. 1 of a wage-rate questionnaire distributed by the International Longshoremen's and Warehousemen's Union to approximately 10,000 workers comprising the total mill and industrial labor force of the cane-sugar industry of Hawaii, all of whom are represented for collective-bargaining purposes by the International Longshoremen's and Warehousemen's Union as a result of certifications following National Labor Relations Board elections.

If the employers tax value of perquisites of 6 cents per hour is added to cash wage rates prevailing in July 1945 the following distribution results:

Total cash wage plus 6-cent valuation on perquisites	Number of workers	Percent of total workers	Cumulative percent
Less than 41.24 cents	330	6.4	6.4
42.54–52.98 cents	2,477	49.2	455.6
54.29–64.73 cents	1,478	29.3	84.9
66.03–76.47 cents	508	10.0	94.9
77.78 cents and up	260	5.1	100.0
Total	5,053		

Application of the 7-cent hourly general wage increase negotiated by the International Longshoremen's and Warehousemen's Union and the employers, to be effective retroactively to July 1, 1945, will of course increase the above categories by 7 cents each. Even with the increase received as a result of collective bargaining, and even counting in the wage rate the 6-cent hourly cost of prequisites, approximately 56 percent of all workers will still be receiving less than 60 cents an hour in total wage rates, while an additional 29 percent will receive less than 72 cents an hour, and only 5.1 percent more than 85 cents per hour total wage.

ILWU EXHIBIT 23

Distribution of wage rates of 5,053 nonagricultural sugar workers on the islands of Oahu, Maui, Hawaii, and Kauai, T. H., July 1945, adjusted to incorporate 30½ percent Federal sugar bonus

Department, base wage.	27 cents and under	28–30 cents	31–33 cents	34–36 cents	37–39 cents	40–42 cents	43–45 cents	46–48 cents	49–51 cents	52–54 cents	55–57 cents	58–60 cents	61 cents and up	Total each department
All islands, adjusted.	Less than 35.24 cents [1]	36.54–39.15 cents	40.46–43.07 cents	44.46–46.98 cents	48.29–50.90 cents	52.20–54.81 cents	56.12–58.73 cents	60.03–62.64 cents	63.95–66.56 cents	67.86–70.47 cents	71.78–74.39 cents	75.69–78.30 cents	79.71 cents and up	
Mill	5	213	270	175	97	103	28	43	12	8	16	2	11	983
Boiling house	1	92	158	76	77	50	31	24	12	8	10	1	1	541
Garage	18	38	44	61	32	41	38	22	21	12	11	8	11	357
Transportation	101	166	166	248	227	155	84	42	26	11	12	5	33	1,276
Construction and maintenance	150	192	178	169	164	126	128	102	64	48	31	21	34	1,407
Laboratory	2	19	25	17	6	3	1	6	3	2	1	3	1	89
Store and boarding house	53	40	60	41	14	34	27	17	9	9	9	9	22	334
Pump	0	21	16	2	0	11	1	2	2	3	1	5	2	66
Total	330	781	907	789	617	523	338	258	149	101	91	54	115	5,053
Percent of all workers reporting	6.4	15.6	17.9	15.7	12.2	10.4	6.7	5.1	2.9	2.0	1.8	1.1	2.2	
Cumulative percent	6.4	22.0	39.9	55.6	67.8	78.2	84.9	90.0	92.9	94.9	96.7	97.8	100.0	

[1] Odd rates result from fact that 30½ percent sugar bonus is paid on basis of existing base hourly rate which are even figures; thus 30½ percent applied to 28-cent base rate yields exact total wage of 36.54 cents.

Source: ILWU questionnaires, Hawaii, July 1945.

COMPARISON WITH MAINLAND PROCESSING AND REFINING WAGES

Because the raw-sugar product of Hawaii, except for 3 percent refined in connection with the milling process for local use, is refined on the mainland, it is appropriate to contrast the wage rates at various stages of the sugar industry.

Comparison can first be made with national average weekly earnings and hourly wage rates. The United States Bureau of Labor Statistics, in its monthly series on earnings and hours in manufacturing and nonmanufacturing industries includes figures for "Sugar, beet" and "Sugar refining, cane." Examination of the monthly reports for the period from January 1944 through May 1945 discloses that average hourly wage rates in sugar, beet, for the year 1944 were 93.6 cents, while in the first 5 months of 1945 the average hourly wage rate had risen to 98.5 cents. This figure is more than double the average hourly wage rate of 48.4 cents per hour prevailing in the Hawaiian cane-sugar industry.

BLS statistics for sugar refining, cane, in continental United States show a similar trend, though average hourly rates are slightly lower than those in beet-sugar production. For the entire year 1944, average hourly wage rates in the cane-sugar refining industry were 84.4 cents, while this figure had risen to 85.5 cents for the first 5 months of 1945.

Average weekly earnings, for the first 5 months of 1945, were respectively, $37.65 for an average week of 38.2 hours in sugar, beet, and $39.84 for an average week of 46.6 hours in sugar refining cane. It is to be expected that during periods of manpower shortages such as existed in the spring of 1945 higher average hours will obtain in cane refining than in beet because cane refineries are usually located at tidewater in metropolitan labor market areas such as San Francisco, New York City, Baltimore, Boston, etc.

Parenthetically, BLS studies also disclose that 4 years ago, in October 1941, average hourly earnings in sugar, beet, were 65.3 cents while in sugar refining, cane, they were 68.4 cents.

Two comparisons have been made between average hourly wage rates in the Hawaiian sugar industry and the straight-time contract wage rates for similar classifications of work at cane sugar refineries in San Francisco.

Exhibit 24 compares average hourly wage rates reported in a Bureau of Labor Statistics survey of 19 Hawaiian sugar mills with rates prevailing at the Western Sugar Refinery, San Francisco, which refines Hawaiian cane sugar. Evaporator operators and filtermen averaged .426 cents per hour in November 1944 in Hawaii, this figure including the then 25 percent sugar bonus but excluding the assumed 6 cent per hour value of perquisites which would raise the total estimated value of the hourly average wage to not more than 48.6 cents. By contrast, on the same date, as the result of a contract wage rate effective June 1, 1944, resulting from collective bargaining between Warehousemen's Union, Local 6, ILWU, evaporator operators and filter washers at Western Sugar Refinery received from 94.5 cents to 97.5 cents per hour.

Centrifugal operators in Hawaiian mills ranged from 42.1 to 46.8 cents, while centrifugal operators at Western Sugar Refinery, San Francisco, received a minimum of 91.5 cents per hour. Similarly bag fillers in Hawaii averaged 44.3 cents per hour, while bag-house laborers at San Francisco received 86.5 cents, bag and bale packers 89.5 cents, and raw-sugar openers 94.5 cents.

An additional comparison of Hawaiian and San Francisco rates appears in ILWU exhibit 25.

The comparison of sugar milling and sugar refining rates is completely valid. In the first instance the two operations are stages of a common process of producing, milling, and refining sugar. They would, if it were economically practicable in view of market and transport conditions, be carried on at the same location. They are common in many jobs and types of work performed. Thus the Department of Labor found in a survey of mainland cane-sugar refineries that—

"In its later stages, the processing of cane into raw sugar greatly resembles refining operations with respect to mechanical techniques, occupations, and wage rates." (Monthly Labor Review, May 1943, Wages in Southern Cane-Sugar Refineries, Winter of 1942–43, p. 983.)

A comparison of wage rates prevailing at the California and Hawaiian Sugar Refinery, Crockett, Calif. (on San Francisco Bay) is attached as ILWU exhibit 26.

THE HAWAIIAN SUGAR INDUSTRY: INTEGRATED OPERATIONS—COMMON MARKET

Various Government agencies have had occasion to analyze the nature of the Hawaiian sugar industry in connection with subsidies, sugar quotas, taxes, and industrial relations. In January 1945, the National Labor Relations Board issued its decision and direction of elections in a combined case covering 11 sugar companies in Hawaii. The Board found that—

"Each of the plantations involved in this proceeding is owned by a heavily capitalized corporation, comprises thousands of acres of land, employs hundreds of persons, and has total annual purchases and sales aggregating more than $1,000,000. *Sugar plantations in Hawaii are complex, highly mechanized, carefully organized and operated large-scale business enterprises. The diversity of operations and the closely integrated character of the plantation system is most clearly manifested by the wide range of activities performed on the typical sugar plantation*" (National Labor Relations Board, *In the Matter of Pepeekeo Sugar Co.*, Cases No. 23–R–14 et al., Cases Nos. 23–R–16, 17, 19, 23, 27, 28, 32, 33, 34, and 35, p. 5 (italics supplied).)

The Board's findings on the definition of workers to be included in NLRB elections and of definitions under section 2 (3) of NLRA is extremely significant and the pertinent text is attached as ILWU exhibit 27.

Financially and managerially, the Hawaiian sugar industry represents the height of integration, and is thoroughly monopolistic in character. The five factors, known as the Big Five, Alexander & Baldwin, American Factors, C. Brewer & Co., Castle & Cook, and Theo. H. Davies, control 33 of the 35 sugar plantation now operating in the Territory of Hawaii. Two other firms, one of them the Bishop Trust Co., which is intimately linked with the Big Five, control the other two plantations. Plantations controlled by the various factors are shown on ILWU exhibit 28.

ILWU EXHIBIT 24

Comparison of average hourly wage rates, cane sugar milling industry of Hawaii, as reported in survey of U. S. Bureau of Labor Statistics, and hourly wage rate, comparable classifications, refining Hawaiian sugar, San Francisco

U. S. Bureau of Labor Statistics average hourly wage Rates, Territory of Hawaii (Nov. 30, 1944)		Wage rate for comparable classifications, Western sugar refinery, San Francisco rates (effective June 1, 1944)	
Classification	Average hourly rate	Classification	Rate
Unloader operator	$0.437	Carloader	$0.975
Sealer, heater clarifier, filter, evaporator	.426	Evaporator operator (8-foot)	.945
		Evaporator operator (11-foot)	.975
		Char filter washer	.945
Pan man, class A	.587	Melt pan and pump tender	.915
Pan man, class B	.528		
Centrifugal operator, high grade	.468	Centrifugal operator	.915
Centrifugal operator, lower grade	.421		
Bag filler	.443	Bag-house laborer	.865
		Bag and bale packer	.895
		Raw-sugar bag opener	.945

Source: Hawaii rates: Wage survey of U. S. Bureau of Labor Statistics dated Nov. 30, 1944, issued to Territorial War Labor Board June 11, 1945, covering 19 sugar mills in the Territory of Hawaii. San Francisco rates: Contract between Warehousemen's Union, ILWU Local No. 6 and Western Sugar Refinery, San Francisco.

ILWU Exhibit 25

Comparison of average hourly wage rates, Hawaiian cane sugar mills and hourly classification rates of Western Sugar Refinery, San Francisco [1]

Hawaii average hourly departmental rates adjusted to include 30½-percent bonus, July 1945 [2]			Western Sugar Refinery comparable contract classification rates, effective June 1944 [3]		
Department	Number of workers [2]	Average hourly rate	Classification	Hourly rate	Hawaii department with similar job title and content
Mill	983	$0.465	Yard laborer	$0.865	
			Bag cleaner	.865	
			Bag-house laborer	.865	
Boiling house	541	.472	Watchman	.865	
			Bag and bale packer	.895	Boiling house.
			Char-filter filler	.895	Do.
Laboratory	89	.471	Char-filter cleaner	.895	Do.
			Char-house conveyor	.895	
			Tender	.895	
			Char-house laborer	.895	
			Melt-house laborer	.895	
			Centrifugal operator	.915	Do.
			Char-house drier man	.915	
			Melt-pan and pump tender	.915	Do.
			Char-filter washer	.945	
			Evaporator operator (8-foot)	.945	Do.
			Raw-sugar bag opener	.945	
			Car loader	.975	Do.
			Evaporator operator (11-foot)	.975	Do.
			Raw-sugar trucker	.995	Do.
			Raw-sugar weigher	1.175	Mill.

[1] It is estimated that 10 percent of Hawaiian sugar (97 percent of which is refined on the mainland) is refined by Western Sugar Refinery, San Francisco. An estimated 60 percent is refined by California and Hawaiian Sugar Refinery at Crockett, Calif., owned and operated jointly by a combine of Hawaiian sugar interests. Similar rates prevail at Crockett, Calif.

[2] Based on questionnaire distributed to 10,000 employees of sugar mills in Hawaii, 5,053 usable returns to which were received.

[3] Excluding supervisory rates.

Source: ILWU questionnaires and contract between warehousemen's union, ILWU Local No. 6, and Western Sugar Refinery, San Francisco.

ILWU Exhibit 26

Comparison of average hourly wage rates, cane-sugar milling industry of Hawaii, as reported in survey of U. S. Bureau of Labor Statistics, and hourly wage rates, comparable classifications, refining Hawaiian sugar, Crockett, Calif.

U. S. Bureau of Labor Statistics average hourly wage rates, Territory of Hawaii, Nov. 30, 1944		Wage rates for comparable classifications, California & Hawaiian Sugar Refinery, Crockett, Calif., in effect November 1944	
Classification	Average hourly rate	Classification	Rate
Unloader operator	$0.437	Carloader	$0.925
		Yard laborer	.925
Sealer, heater, clarifier, filter, evaporator	.426	Char-filter washer	.956
		Char-filter filler	.956
		Char-filter cleaner	.956
		Melt-house tank operator	.956
Bag filler	.443	Raw-sugar bag opener	.925
		Raw-sugar trucker	.925
		Balers	.925

Source: Hawaii rates: Wage survey of U. S. Bureau of Labor Statistics dated Nov. 30, 1944, issued to Territorial War Labor Board June 11, 1945, covering 19 sugar mills in the Territory of Hawaii. Crockett rates: Contract between warehousemen's union, ILWU Local No. 6, and California & Hawaiian Sugar Refining Co., Crockett, Calif.; and contract between company and AFL production union.

ILWU Exhibit 27

Excerpts From Decision of National Labor Relations Board, January 1945, Relative to Definition of "Agricultural Labor," Hawaiian Sugar Industry (Cases Nos. 23–R–14, 16, 17, 19, 23, 27, 28, 32, 33, 34, 35)

(*a*) *Activities admittedly agricultural.*—These include the preparation of the land for planting, planting, cultivating, fertilizing, irrigation, and harvesting of sugarcane.

(*b*) *Transportaton.*—Harvested cane is transported from the fields to the processing mill by (1) permanent railroads which run from the edge of the cane fields to the processing mill yard, (2) permanent flumes through which swiftly flowing water floats the cane to the processing plant, (3) motortrucks used to haul the cut cane directly to the processing mill, to the main railroads lines, or to the main flume. Portable flumes and portable tracks laid in the fields during harvest time are in some cases employed to haul the cane from the fields to the main railroad or flume.

(*c*) *Processing mill.*—The cut cane is transported to the processing plant yard where it is unloaded, weighed when necessary, and then carried on mechanical conveyors to a large barnlike building where take place the various steps in the conversion of sugarcane into raw sugar. As the cane is carried along the mechanical conveyor it passes under a series of flailing knives which shop the stalks into a coarse shredded mass which then passes through a crusher and a series of rollers to press the juice from the cane. This juice is clarified by mixing it with a solution of milk of lime and heating it to the boiling point to arrest fermentation; it is then piped to settling tanks where clear juice is drawn off. Excess water is driven off by boiling, and the sirup obtained is then further boiled under high vacuum until a product called massecuite, which consists of crystallized sugar and molasses, is secured. After more boiling, the massecuite is run into centrifugal machines where the molasses is flung off, leaving hard, dry, sugar crystals—raw sugar, which is then conveyed to bins and there bagged, weighed, and transported to a warehouse for ultimate loading onto trucks or railroad cars.

(*d*) *Repair, maintenance, and new construction.*—Each plantation has extensive repair facilities for keeping in condition buildings, agricultural and other machinery, transportation equipment, and roads. Crews are also engaged either full or part time in constructing new roads, buildings, equipment, and facilities throughout the plantation.[1] On each plantation there is a steam generating plant to supply energy to drive plant machinery, to turn electric generators, and to furnish heat for boiling and evaporating cane juice.

(*e*) *Miscellaneous facilities.*—The typical plantation has a general office where a staff of office employees keeps the accounts, makes up the pay rolls, and handles general administrative work; a personnel department; company stores where general merchandise is sold; and a medical department employing a full- or part-time doctor and one or more nurses. The companies also maintain camps where their employees live. To keep these camps in condition, they employ camp cleaners who cut and mow lawns, collect and dispose of garbage, trap rodents, and in general attend to the appearance and sanitation of the camps. Two of the plantations also have small dairy ranches from which they sell dairy products and meat to their employees. Boarding houses, cafeterias, and coffee shops are operated by the plantations in some cases.[2]

Section 2 (3) of the act provides that the term "employee" shall not include any individual employed as an "agricultural laborer." The companies contend, in effect, that they are engaged in agricultural enterprises and that, therefore, all of their employees, those engaged in transportation, in the processing mill, in repair, maintenance, and construction activities, as well as those engaged in planting, cultivating, and harvesting are agricultural laborers and hence exempted from coverage of the act. The CIO, on the other hand, maintains that the term

[1] At the present time about the only new construction carried out is in connection with road building.

[2] The job titles of some of the employees engaged in transportation, processing, repair, maintenance, and construction activities include the following: Locomotive engineer, conductor, brakeman, locomotive fireman, yard engineer, yard brakeman, truck driver, strainer tender, mill tender, engine tender, engine oiler, fireman, ashman, centrifugal tender, sugar loader, night watchman, machinist, mechanic, welder, bricklayer, blacksmith, painter, carpenter, service-station attendant, battery man, tire man, stockroom clerk, toolroom attendant, garbage truck driver, rat catcher, sales clerk, road construction man, power shovel operator, and dump truck driver.

"agricultural laborer" covers only those employees engaged in field work, including those who load the harvested cane onto the initial means of transporting the cane from the fields to the processing mill. All other employees, it asserts, are covered by and entitled to the protection of the act.

Although the term "agricultural laborer" is not defined in the act, its meaning is not obscure. The guidepost is the ordinary meaning of the phrase, that stemming from common usage and common understanding.[3] The term "agricultural laborer," as commonly understood, refers to a person employed on a farm in the cultivation of the soil, including the harvesting of crops and the rearing and management of livestock. *Only confusion results from an extension of the meaning of the phrase "agricultural laborer" beyond its customary sense. If the companies' argument were accepted, some anomalous conclusions would result; e. g., locomotive engineers, conductors, brakemen, engine oilers, machinists, welders, bricklayers, service-station attendants, toolroom attendants, and stockroom clerks employed by the companies would perforce become agricultural laborers.* There is nothing in the act itself or in the congressional reports and debates preceding its enactment to indicate that Congress in excluding agricultural laborers from coverage of the act intended so broad an interpretation. The exclusions listed in section 2 (3) of the act are occupational exclusions determined by the nature of the work performed by the employee on a farm.[4] The test is not whether the various activities are considered part of a single enterprise and controlled by the same management, or whether the employee is engaged in handling products grown on a farm, but the essential character of the work performed by the individual employee. Thus, the Board has held that employees engaged in sorting and packing fresh fruits and vegetables whether in the packing shed of a dealer, a cooperative marketing association, or of the grower himself;[5] machine-shop employees on a hop ranch, engaged in repairing various types of agricultural and ranching equipment and in constructing hop-picking machines;[6] employees in the processing plant of a company engaged in growing, purchasing, processing, and selling plant seeds;[7] bottlers in the dairy of a large dairy ranch;[8] sorters employed by dealers to sort potatoes in the dealers' warehouses and in the cellars of growers notwithstanding the fact that the farmer-grower reimbursed the dealer for the wages paid the sorters,[9] are not agricultural laborers. And in two proceedings involving a corporation engaged in the cultivation of sugarcane, the transportation thereof to processing mills, the milling of sugarcane, the refining of raw sugar, and the processing of various byproducts, the Board found appropriate a production and maintenance unit at one of its processing plants including sugar boilers, ground and yard employees, employees on a narrow-gauge railroad used in the harvest season to transport cane from the company's fields to the processing mill, electric-truck operators, longshoremen, etc., but excluding agricultural employees, among others.[10] All of the foregoing employees, though working on a farm or in close connection with farming operations and performing tasks which in a simpler state of agricultural economy were performed by the farmer himself or his hired hand, the Board found, had by the process of specialization lost their character as agricultural laborers and had become primarily industrial workers.[11]

We are not unmindful of the fact that a somewhat broader definition of the term "agricultural laborer" than indicated has sometimes been given by the courts and administrative agencies in construing other statutes. But as pointed out by the court in the North Whittier case, such other definitions "have grown out of special statutory phraseology or out of judicial effort to conform to legislative intent."[12] *On the other hand, in a series of cases requiring the interpretation of*

[3] *North Whittier Heights Citrus Association* v. *N. L. R. B.*, 109 F. (2d) 76, 80 (C. C. A. 9) enf'g. *Matter of North Whittier Heights Citrus Association*, 10 N. L. R. B. 1269.

[4] *Matter of Saticoy Lemon Association*, 41 N. L. R. B. 243; *Matter of Stark Brothers Nurseries and Orchards Company*, 40 N. L. R. B. 1243.

[5] *Matter of North Whittier Heights Citrus Association, supra; Matter of John W. Campbell, Inc.*, 58 N. L. R. B., No. 216; *Matter of Antonio Tomasello*, 36 N. L. R. B. 375; *Matter of Grower-Shipper Vegetable Association of Central California*, 43 N. L. R. B. 1389; *Matter of Jameson Company*, 25 N. L. R. B. 64; *Matter of George G. Averill et al.*, 13 N. L. R. B. 411; *Matter of American Fruit Growers, Inc.*, 10 N. L. R. B. 316.

[6] *Matter of F. Clement Horst Company*, 23 N. L. R. B. 1193.

[7] *Matter of Newday Seeds, Inc.*, 55 N. L. R. B. 1049.

[8] *Matter of Hind-Clarke Dairy*, 58 N. L. R. B., No. 17.

[9] *Matter of Idaho Potato Growers, Inc.*, 48 N. L. R. B. 1084, enf'd *Idaho Potato Growers, Inc.* v. *N. L. R. B.*, 144F (2d) 295 (C. C. A. 9), cert. denied November 6, 1944; *Matter of J. H. Simplot et al.*, 55 N. L. R. B. 1228.

[10] *Matter of Godchaux Sugars, Inc.*, 26 N. L. R. B. 33 and 36 N. L. R. B. 926.

[11] *Idaho Potato Growers, Inc.* v. *N. L. R. B., supra.*

[12] *North Whittier Heights Citrus Association* v. *N. L. R. B.* (109 F. (2d) 76, 79 (C. C. A. 9).)

the exemption granted to employees "employed in agriculture" under the Fair Labor Standards Act of 1938 (29 U. S. C. sec. 213), the Circuit Court of Appeals for the First Circuit has held that employees on sugar plantations in Puerto Rico engaged in the sugar processing mills, in the operation of transportation facilities, and in the repair and maintenance of transportation and mill equipment were not "employed in agriculture"; only those employees engaged in planting, cultivating, and harvesting of sugarcane were held to be exempt under the act.[13] In *Calaf* v. *Gonzalez*,[14] the court used very pertinent language in disposing of contentions similar to those raised in the instant proceedings: "The mere fact that in this case the owners of the farms are also the owners of the mills and the transportation facilities does not make transportation an incident to farming. The issue, therefore, is not whether the same owners manage and control the mill, the farms, and the transportation system, but rather whether transportation is incident to farming or incident to milling, an operation specifically within the purview of the Act." *It should be noted that the court arrived at this conclusion despite the extremely broad definition of "agriculture" contained in the Fair Labor Standards Act.*[15]

We find that only the employees of the companies engaged in the following operations are agricultural laborers within the meaning of section 2 (3) of the act:

(1) Preparation of the land for planting, planting, cultivating, fertilizing, irrigating, harvesting, including the loading by hand or by crane of the cut cane onto the initial means of transporting the cane from the fields, and the care of animals.[16]

(2) On the dairy ranch of the Hutchinson Sugar Plantation: milkers, cowboys, man in charge of calving cows, calves and bulls, but not the milk-room attendant or milk-delivery man.[17]

(3) On the dairy ranch of the Hawaiian Agricultural Co.: milkers, cowboys, horse breaker, pigman, lantana man, but not the delivery boy or the bottle washer.[18]

We find that all other employees of the companies including field scalers; pump tenders; shoeing blacksmiths; employees engaged in the operation of transportation facilities including railroads, trucks, flumes, sleds, portable tracks, and portable flumes; employees engaged in repair, maintenance, and new construction including road construction and repair; employees engaged, in and about the processing mills, camp cleaners, store employees, general office employees; medical department and personnel department employees perform nonagricultural duties, and hence are covered by the act.

The evidence indicates that some of the employees divide their time between strictly agricultural pursuits and those that are not agricultural. For example, the railroad section gang on one plantation spend two-thirds of their time repairing and maintaining the railroad lines, and the other one-third in harvesting work. In another case, employees on a dairy ranch spend half of their time in the plantation slaughterhouse assisting the butcher foreman, and the other half as cowboys or farm hands on the ranch. The companies in their supplemental brief have raised the question as to the proper classification of such employees. Insofar as an employee is engaged in operations which have been defined herein as agricultural, he is an "agricultural laborer" and hence excluded from operation of the act. However, when such an employee works at nonagricultural employment, is is an "employee" within the meaning of the act and therefore entitled to its benefits. As an "agricultural laborer" he is, of course, excluded from any unit herein found appropriate, but as an ordinary employee performing nonagricultural duties he is included in such unit and may be represented by a union with respect to that part of his work which is not agricultural in character. Accordingly, all employees dividing their time between agricultural and nonagricultural employment are deemed to be included within

[13] *Bowie* v. *Gonzales* (117 F. (2d) 11, 19); *Gonzales* v. *Bowie* (123 F. (2d) 387); *Calaf* v. *Gonzales* (127 F. (2d) 934).

[14] Footnote 14, *supra*, at p. 937.

[15] Sec. 203 defines that term to include farming in all its branches including "any practices * * * performed by a farmer or on a farm as and incident to or in conjunction with such farming operations, including preparation for market, delivery to storage or to market or to carriers for transportation to market."

[16] This classification corresponds generally with the different methods of compensating field workers and other employees used by the companies. The former are paid on a short-term contract or long-term contract basis with the amount of their earnings determined either by the volume of work performed or the yield of cane from the fields on which they work; for other employees hourly, daily, or monthly payment systems are used.

[17] *Matter of Hind-Clarke Dairy* (58 N. L. R. B., No. 17).

[18] See footnote 18, supra.

the appropriate units and either union, if successful, is authorized to bargain for such employees with respect to that part of their activities which are not agricultural in character.[19]

ILWU EXHIBIT 28

THE HAWAIIAN FACTORS AND THEIR CONTROL OF THE SUGAR INDUSTRY

Tabulation of the 35 Hawaiian plantations by factors, 1945

Name of factor	Island	Plantations and mills controlled	
		Number	Names
Alexander and Baldwin	Oahu	1	Kahuku Plantation Co.
	Maui	2	Hawaiian Commercial & Sugar Co.; Maui Agricultural Co.
	Kauai	1	McBryde Sugar Co., Ltd.
American Factors	Oahu	2	Oahu Sugar Co., Ltd.; Waianae Co.
	Maui	1	Pioneer Mill Co., Ltd.
	Kauai	5	Grove Farm Co., Ltd.; Kekaha Sugar Co., Ltd.; Koloa Sugar Co.; Lihue Plantation Co., Ltd.; Waimea Sugar Mill Co.
	Hawaii	1	Olaa Sugar Co., Ltd.
Bishop Trust Co	Kauai	1	Gay & Robinson.
C. Brewer & Co	Oahu	2	Honolulu Plantation Co.; Waimanalo Sugar Co.
	Maui	1	Wailuku Sugar Co.
	Kauai	2	Kilauea Sugar Plantation Co.; Olokele Sugar Co., Ltd.
	Hawaii	8	Hakalau Plantation Co.; Hawaiian Agricultural Co.; Hilo Sugar Co.; Honomu Sugar Co.; Hutchinson Sugar Plantation Co.; Onomea Sugar Co.; Paauhau Sugar Plantation Co.; Pepeekeo Sugar Co.
Castle & Cooke	Oahu	2	Ewa Plantation Co.; Waialua Agricultural Co., Ltd.
	Hawaii	1	Kohala Sugar Co.
F. A. Schaefer	do	1	Honokaa Sugar Co.
Theo. H. Davies	do	4	Hamakua Mill Co.; Kaiwiki Sugar Co., Ltd.; Laupahoehoe Sugar Co.; Waiakea Mill Co.

Source: Honolulu Stock Exchange, Manual of Hawaiian Securities, June 1945, originally by Spreckels Cos., corrected January 1940 by C. Brewer & Co., Ltd., and revised to June 1945 by Honolulu Stock Exchange.

The extent of control is so great that one company, C. Brewer, controls a total of 13 plantations on the 4 major islands of the Hawaiian group, while American factors also control plantations on all islands, and Alexander and Baldwin controls plantations on three islands.

William Taylor, author of The Hawaiian Sugar Industry, points out that the agencies or factors are "not concerned with high efficiency ratings in production or with plantation financial ability per se. Their primary concern is in a situation for profitable manipulation" (p. 72).

Similarly Shoemaker finds that other than 3 percent of cane sugar refined locally, "The remaining 97 percent is shipped as raw sugar to be refined and marketed on the mainland. * * * Practically all of it is marketed cooperatively through a pooling agreement between the Hawaiian producers" (Shoemaker, *op. cit.*, p. 11).

Shoemaker further describes the operation of the marketing and refining agreement entered into by the Hawaiian sugar producers:

"A further step in the integration of the Hawaiian sugar industry was taken when three of the large sugar agencies instituted a joint program for refining and marketing the bulk of the island sugar. Under this plan over half the total production (about 550,000 tons annually) is refined by the California & Hawaiian Sugar Refining Corp. The stock in this corporation is owned by 33 of the Hawaiian plantations and its mangement is under the direction of officials of the sugar agencies in Honolulu. About 100,000 additional tons are annually refined by the Western Refinery and 300,000 tons by the National Sugar Refiners in New York. *But all of it is marketed under an agreement whereby all sugar producers in the Hawaiian Sugar Planters' Association use the same marketing organization and receive the same price per ton. Thus the integration of the Hawaiian sugar industry has been carried to its ultimate step in the refining and marketing of the product on the mainland*" (ibid., p. 31).

[19] *Matter of Newday Seeds, Inc.* (55 N. L. R. B. 1049); *Matter of H. J. Heinz Company* (49 N. L. R. B. 573).

Thus in addition to closely held, monopolistic control, the sugar industry of Hawaii represents extreme integration at the operating and marketing levels. The industry at its operating level spans the 2,200 mile Pacific gap between the mills and the refineries without difficulty, although the workers in the insular industry receive wages approximately half or less of refinery wages, and contary to refinery workers are excluded from the hours protection of the Fair Labor Standards Act during the production year.

The sugar economy of the Territory of Hawaii is basic to the existence of the Territory. It is a stable industry employing large numbers of workers, operating within a uniform price market, receiving extensive governmental protection. The industry is closely united through the Hawaiian Sugar Planters' Association whose stated policies include the development of unified policies in the Hawaiian sugar industry as a whole relative to wages, hours, and working conditions, including plans for the promotion of general welfare, "on the assumption," Shoemaker notes, "that the welfare of Hawaii is the welfare of the sugar industry."

THE HAWAIIAN CANE SUGAR INDUSTRY AND THE FAIR LABOR STANDARDS ACT

It has previously been noted that the cane sugar industry is exempted from the hours coverage of the FLSA by virtue of section 7 (c) which reads in part:

"In the case of an employer engaged in the first processing of * * * sugarcane, or maple sap, into sugar (but not refined sugar) or into sirup, the provisions of subsection (a) shall not apply to his employees in any place of employment where he is so engaged; * * *

Interpretative Bulletin No. 14 of the Wage-Hour Division issued August 21, 1939, defines the processing of sugarcane into raw sugar as being within the exemption, but excludes from the exemptions and thus places under the act's full coverage, the processing of raw sugar into refined sugar. In section 18 the Bulletin declared:

"The term 'refined sugar' is commonly understood to refer to the product of the refinement of 'raw sugar.' The term 'raw sugar' describes the product of the first processing of sugarcane, which product normally is thereafter refined before it is consumed. The processing of sugarcane into raw sugar is within the exemption; the processing of raw sugar into refined sugar is not within the exemption. Likewise the processing of cane molasses and sirup into refined sugar is not exempt. * * *.

"Operations performed on bagasse, such as removing same from the sugar mill, bailing and compressing, are not included in the exemption, since such operations do not constitute the 'processing of * * * sugarcane,' and further such operations do not result in sugar or sirup. The exemption, it should be noted, is limited to the processing of sugarcane 'into sugar * * * or into sirup'."

In September 1941 the Wage-Hour Administrator issued a statement commenting on a circuit court decision relative to the application of the FLSA to sugar milling in which the court had described sugar-mill employees as "typical factory workers or laborers engaged in maintaining industrial facilities" (*Bowie* v. *Gonzales*, opinion of Circuit Court of Appeal at Boston, 1 WH Cases 99). The Administrator's statement declared:

The processing of sugarcane into sugar (but not refined sugar) is still considered by the Division to be exempt from the overtime provisions of the law under section 7 (c)."

This interpretation is still in force and effect.

The Wage-Hour Division in the Interpretative Bulletin 14 also found that the cane sugar milling industry is excluded from the total exemption under section 13 (a) (10) relative to the wage and hour provisions and their applicability to employees engaged within the "area of production" in certain types of operations upon agricultural or horticultural commodities. In section 25 of the Bulletin the Adminstrator held that—

"* * * although flour and raw sugar, for example, may be defined as agricultural commodities in special statutes, they are not agricultural commodities within the meaning of this section."

And further in section 36 of the same bulletin, the Administrator declared specifically:

"Some other operations, which, in our opinion, are not included within the exemption provided by section 13 (a) (10), are * * * the grinding of sugarcane * * *."

As a consequence of these interpretations and of the language of FLSA, the employees of the Hawaiian cane sugar industry have been covered by the wage provisions of the act since its statutory effective date, but have been excluded

from the hours provision of the act except during the nongrinding or nonproductive season. Other than as a result of partial coverage prior to July 1, 1945, under the Territorial Wage-Hour Act, they have been exposed without protection to the hazards of long hours and have been unjustly denied the benefits of the "ceiling upon hours" which for 7 years has protected the Nation's industrial workers.

THE HAWAII WAGE AND HOUR LAW AND THE SUGAR INDUSTRY

The Territory of Hawaii and the Territorial legislature, through their enactment and subsequent amendment of the Hawaii wage and hour law (ch. 75, Revised Laws of Hawaii, 1945, as amended), have taken cognizance of the close interrelationship between the sugar industry of the Territory and Hawaii's general economic stability. By unanimous action, the legislature, in its 1945 session, extended the wage and hour provisions of the Territorial law to cover all workers in agriculture and agricultural processing, excluding only workers wholly or partly covered by the provisions of the Federal act.

Effective July 1, 1945, only those workers in agriculture or agricultural processing where there are less than 20 employees are excluded from the provisions of the act. This exemption affects only a small number of workers in the Territory employed in the growing of truck vegetables and fruit, usually on very small family farms. All agricultural workers in the sugar and pineapple industries, as well as processing workers totally excluded from FLSA, are covered by the act, as none of the 35 sugar plantations or the pineapple plantations operated by the nine canneries in the Territory has less than 20 employees.

Prior to July 1, 1945, when the amendments to the Territorial act became operative, workers in the sugar mills were covered at all times by FLSA as to minimum wages but were covered by the hours provisions of section 7 only during the nongrinding season which varied in length from 8 to a maximum of 12 weeks a year. In effect this meant that the 48-hour week prevailed, inconsistently during the productive season of 10 months or more, while the 40-hour week applied under FLSA during the nonproductive season. Agricultural workers excluded totally from the provisions of FLSA were not covered by any wage-hour legislation prior to July 1, 1945, although, as has been previously noted, basic wage and hour parity has been maintained by the employers for both industrial and agricultural workers in the sugar industry because of the infeasibility of dual standards.

The Hawaii wage-hour law is defective in three major respects. It establishes a straight-time work week of 48-hours, lagging far behind the long-established 40-hour straight-time workweek prevailing under FLSA. It sets a minimum wage of only 40 cents an hour. And, of major importance, it excludes from its definition of employees covered by the act "any individual employed * * *

"(8) in any capacity if by reason of his employment in such capacity and during the terms thereof, the minimum wage which may be paid such employee or maximum hours which such employee may work during any workweek without the payment of overtime, are prescribed by the Federal Fair Labor Standards Act of 1938, or as the same may be amended from time to time (Hawaii wage and hour law, sec. 4352).

Thus the passage of a Territorial statute does not nullify the responsibility of the Congress to reconsider the application of certain provisions of the Fair Labor Standards Act to the cane-sugar industry of Hawaii, many of whose employees are for more than five-sixths of the year still outside the hours protection of FLSA.

CONGRESSIONAL RESPONSIBILITY TO THE SUGAR INDUSTRY: PAST AND PRESENT

The Congress and the United States Government have long recognized that they bear a special responsibility to the sugar industry, as distinct from their responsibility to manufacturing or agricultural industry in general. In effect for more than a half a century sugar has been treatd as a public utility is treated, deemed a product of such importance to our national economy that its production must be facilitated within the boundaries of continental, Territorial, and insular United States even at the cost of subsidies and price support.

There exists in the world today two sugar markets: The United States market which is a fixed-price market and the world sugar market. The rigid control of the United States market and price establishment therein have been stringent. Sugar, to a greater degree even than cotton, wheat, or coffee, is a world commodity.

The interest of the Congress has been historically in guaranteeing that an adequate supply of sugar is produced for United States consumption. To this

end it has long subsidized both the cane and beet sugar industries, allowed the existence of monopolistic or semimonopolistic combines within the sugar industry, fostered the fixing of industry-wide prices, and in other ways given financial assistance to the industry. Sugar is an industry protected by Congress. Sugar prices are protected by Congress. Sugar workers in Hawaii have received only nominal protection from Congress up to this time.

The Hawaiian sugar industry has long been dependent upon congressional aid. In 1876 it first obtained preferential treatment in a reciprocal trade agreement with the United States, and after annexation in 1898 received tariff protection. The Congress brought Hawaii under the quota system by passage in 1934 of the Jones-Costigan Act under which Hawaii was allotted a quota of approximately one-seventh of all sugar to be consumed by the United States. The protection and control of the Hawaiian sugar industry was further extended by the Sugar Act of 1937.

Hawaiian sugar played a major part in the prosecution of the war. Sugar rationing continues as the most stringent form of food rationing due to the world shortage of sugar, and the recent location, in Java, of 1,600,000 tons of sugar comes as a blessing to a world which had anticipated the necessary maintenance of sugar rationing for months or years. The war itself has taught the necessity of maintaining an adequate sugar supply. The world's great sugar-producing areas are few: mainland United States, producing beet and cane sugar, the islands of Puerto Rica and Cuba, the Territory of Hawaii, the Philippines, and Java, all producing cane sugar, and the central European beet-producing areas. Of these seven basic sugar areas, three were nonproductive during periods of enemy occupation and in these three, the Philippines, Java, and Europe, the volume and maturity date of newly planted crops is still a matter of speculation. Certainly in the Philippines, where in the current year only enough sugar has been planted to yield the spare crop of 35,000 tons in 1947, sugar production is far from the road to normalcy.

The Congress has treated the sugar industry as an economic unit, but it has segregated the workers in the industry. Thus refinery workers, engaged in the refining of both cane and beet sugar, whether produced within continental United States or imported are protected by the hours provisions of the Fair Labor Standards Act while mill employees engaged in the manufacture of raw sugar, whether employed on the mainland or in the Territories and insular possessions, are excluded.

This is an inconsistent approach. Similarly the Congress has failed to face the wage question in the sugar industry, particularly in reference to agricultural workers. What Federal aid is extended directly to sugar workers is in the form, in Hawaii for example, of a percentage bonus on base wages, and has no remedial effect upon the substandard wage structure itself. Thus the total cash wage paid mill workers in Hawaii, which must reach the 40 cents statutory minimum under FLSA, is compounded of a variety of payments: The basic wage in the sugar mills is 28 cents an hour; to this is added a 30½ percent Federal sugar bonus bringing the base wage to 36.54 cents per hour; to this is added an assumed 6-cent valuation on perquisites furnished by the employer bringing the calculated total hourly wage minimum to 42.54 cents. But the fact of that matter is that only 28 cents of this wage plus the value of perquisites is furnished by the employer while the balance is direct Federal aid. In 1944 when the sugar bonus totaled 25 percent the wage consisted of 28 cents cash wage base paid by the employers, 7 cents sugar bonus, and 6 cents perquisites and barely provided compliance with the FLSA statutory minimum.

Nor has Congress faced the question of hours in the cane sugar milling industry. Certainly there is ample evidence that cane sugar milling is industrial, that it is comparable to factory and industrial work and totally divorced from the agricultural process. Refineries on the mainland engaged in the refining of raw sugar manufactured in Hawaii are required to abide by the 40-hour week, while sugar workers are granted no Federal hours protection whatsoever while they are engaged in the milling of sugar.

The result of many years of legislation is that the mainland sugar industry has been subsidized at the expense of the Hawaiian sugar workers. The cost of production of mainland sugar is approximately twice as high as the cost of production in Cuba, while Hawiian and Puerto Rican costs are estimated to be 60 percent higher than Cuban costs and thus approximately 80 percent of mainland costs. It is clear therefore that Congress has not considered the price of pro-

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duction, in which wages play a part, a prime determinant in the development of a national sugar policy. It is the policy of the United States to produce sugar in the United States, notwithstanding the fact that Cuba and Java alone could probably produce enough sugar to supply all of our demands. This policy is an unsound policy if it is predicated, as it has been, upon the maintenance of miserable, substandard wages and hours in the Territory of Hawaii and our other noncontinental sugar regions.

THE PROPOSED AMENDMENTS IN RELATIION TO THE HAWAIIAN SUGAR INDUSTRY

Coverage

The International Longshoremen's and Warehousemen's Union welcomes the proposals in S. 1349 for extension of the coverage of the Fair Labor Standards Act by the elimination of the exemptions contained in section 7 (c) of the present act.

The organization and operation of the cane-sugar industry are such that the provisions of section 7 (c) placed an unjust burden upon the workers in the sugar industry, in complete disregard of the essentially unified industrial process and the integrated nature of both milling and refining of cane sugar. The inclusion of language in section 7 (c), excluding a part of the sugar manufacturing industry's workers from a part of the act's benefits has initiated an undesirable chain of administrative exceptions and exemptions which in the sugar industry have done much to nullify the statement of policy in section 2 of FLSA and to prevent its effectuation.

Similarly the proposed deletion from section 13 (a) (4) of the language excluding from the wage and hour provisions of the act employees engaged in the "loading, unloading, or packing * * * for shipment or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing" the products or byproducts resulting from the "catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life' 'is thoroughly desirable.

Finally it is time that section 13 (a) (10), the so-called "area of production" clause be stricken from the Fair Labor Standards Act. It has served for the most part, during the 7 years of the act's operation, to exclude from the act many workers engaged in basic industrial operations and engaged in commerce and the production of goods for commerce, and has maintained the depressed conditions of these excluded workers at a level "detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers," in contradiction of the act's stated policy.

The proposals to extend the coverage of the act deserve adoption.

Hours

Deletion of the exclusions of section 7 (c) is both warranted and desirable with particular reference to the cane sugar milling industry.

Abundant evidence has been introduced in this brief statement to negate the claim that the milling of raw sugar is an "agricultural" process. Rather it has been shown to be, as it is, a highly mechanized, factoryized industrial operation. As such it is clearly within Federal hours control and deserves the full protection of the Fair Labor Standards Act.

The 40-hour week is entirely practical in the cane sugar milling industry. The Hawaiian sugar industry, as the evidence demonstrates, is a year-round industry employing a stable labor force without seasonal fluctuations of any greater importance than the moderate seasonal fluctuations found in manufacturing industry generally.

When the Fair Labor Standards Act was pending in Congress many industrialists opposed the 40-hour week, insisting that it was not practical because of "unusual" conditions prevailing in their industry. The Congress overrode those objections, declaring that the national interest, as expressed in maximum working hours and minimum wages, was superior to the special interests of any group. Industry adapted itself speedily to the provisions of FLSA once the act became effective and the 40-hour week is now a universally accepted standard except in the excluded industries.

It is time that the exceptions to the act be forgotten and the act be extended to cover by hours provisions all workers covered by the wage provisions of the act, and to extend the wage provisions along the lines noted above. The 40-hour week is completely practical in the Hawaiian sugar industry. The employers of all sugar plantations in Hawaii have recently concluded negotiation of union agreements covering mill and agricultural workers, a total of 22,000 in all, and instituting the 8-hour work day. Nevertheless, because FLSA does not cover

operations in the mill during the productive season and because the Territorial wage-hour law sets a workweek of 48 hours, the sugar industry contract work week is so frozen. The sugar industry of Hawaii has been able to adapt its field as well as mill operations to an 8-hour day. It has adapted its workweek to 48 hours although the operations of the plantations and of the mills are carried on 7 days a week. It can, as the majority of American industry has done, adapt its operations to a 40-hour straight time workweek.

There is no justification for denying to cane sugar mill workers, engaged in a process which the Department of Labor recognizes "greatly resembles refining operations with respect to mechanical techniques" and occupations, the benefit of the 40-hour week which has always been extended to refinery workers. The problem of extension is primarily one affecting cane-sugar milling.

A recent survey of sugar beet refining plants known to be operating on a 40-hour straight time workweek during the campaign season, during which they would be eligible on petition for a seasonality exemption, showed that in 48 plants out of 71 for which information was available were so operating. The plants in question are located throughout the beet sugar States. Thus in Colorado 17 plants operate on a 40-hour week even during the seasonal period and only 2 do not; so do 7 out of 8 plants in Idaho, 5 out of 7 in Nebraska, 4 out of 6 in Utah, 4 out of 5 in Wyoming, and all of the 5 plants in Montana. No information is available on scheduled hours in Michigan.

Extension of the hours protection of the Fair Labor Standards Act can be achieved by concurrence in the amendments proposed by S. 1349 which strike from the act the exceptions now contained in sections 7 (c) and 13.

Wages

Detailed evidence has already been presented to the committee bearing on the general inadequacy of the statutory 40-cent minimum wage established by the FLSA. It is not the purpose of the International Longshoremen's and Warehousemen's Union to burden the record with repetitive evidence. It is pertinent however to draw certain conclusions directly related to the statutory minimum wage and its applicability to the sugar industry of Hawaii.

It is true that the mill workers of the Hawaiian cane-sugar industry have always been covered by the wage provisions of FLSA. But the minimum wage established by the act has come close at the same time to being a maximum wage.

The plantations in Hawaii constitute an economic blot upon our national economy. Substandard wages long eliminated on the mainland still flourish there. It is only necessary to compare the industry-wide average hourly wage of 48.4 cents per hour for all sugar-mill workers (including workers engaged in transportation, construction, maintenance, store and boarding-house operations, laboratories, etc.) with the average hourly rate of 98.5 cents per hour in the mainland sugar-beet industry and 85.5 cents per hour in the mainland cane sugar refining to indicate the seriousness of the problem.

In May 1945 the average worker in mainland sugar refining received a weekly pay check of $39.84 for a workweek of 46.6 hours. A Hawaiian sugar-mill worker, receiving in May 1945 even an above-minimum wage of 45 cents an hour (including therein the 6-cent valuation on perquisites and the 30½-percent sugar bonus on base wage), would have had to work 75 hours to receive a pay check of $39.84, or more than 60 percent more hours than the mainland sugar-refinery worker.

Sugar-industry wage rates on the mainland leave much to be desired, but it is significant that the average hourly wage rates in the mainland sugar industry, as long ago as October 1941, were 65.3 cents in sugar-beet- and 68.4 cents in cane-sugar refining. In other words, 4 years ago the average hourly rates in the mainland sugar industry were in excess of the proposed initial base minimum under S. 1349; and 4 years ago those rates, which are now approximately double Hawaiian rates, were double the then prevailing Hawaiian rates.

It is futile to consider national wage standards without considering wage standards in the Territories. And it is equally futile to attempt to solve wage problems in Hawaii without first solving the problem of wages in the sugar industry, for it is basic industry. Legislation is essential if the Territorial sugar wages, far below what even the War Labor Board found constituting a "substandard wage," are to be raised to a decent minimum. It cannot be forgotten that workers in Hawaii pay a minimum of 25 percent more than inflated mainland prices for all food, clothing, and other consumer goods, virtually all of which are imported from the mainland. The 40-cent minimum wage now prevailing may be assumed for Hawaii to have a purchasing power of approximately 20 to 25 percent less than it has on the mainland. Thus the devaluation of the

40-cent minimum which has occurred on the mainland as the result of cost-of-living and price increases is even greater in the Territory of Hawaii.

The Hawaiian sugar industry is in the enviable situation of having the United States Congress behind it on all matters of subsidies, quotas, price support, and bounty payments. The sugar workers of Hawaii now need and merit the support of Congress, and congressional enactment of the increased minimum wages proposed by S. 1349.

EXHIBIT 55

STATEMENT IN SUPPORT OF S. 1349 TO AMEND FAIR LABOR STANDARDS ACT BY RAISING MINIMUM WAGE TO 65 CENTS PER HOUR

(Submitted by State, County and Municipal Workers of America, CIO, September 25, 1945)

National wage policy today must be viewed in the light of what a few short weeks ago we called postwar needs. That time is now upon us. The men and women who served on the home front in the factories, mines and mills, who sustained the war effort in the State, county and municipal services, the small businessmen and farmers, are united with those who have already returned and who will return from service in the armed forces in their determination that the sacrifices of war shall reap the harvest of a better life.

To achieve these aims, our factories must be put to work at full capacity. Every man and women who wants a job must be able to find one at a wage which will enable him to buy the products of other's labor. The maintenance and extension of purchasing power not only during the present transition period from wartime to peacetime production but continually thereafter is the keystone to the achievement of full employment.

We can achieve this program. The blueprint for it has been worked out. President Roosevelt's new economic bill of rights pointed the way. President Truman's message to Congress September 6 was explicit. It remains for Congress to pass the legislation implementing the blueprint. This bill to amend the Fair Labor Standards Act is one of the pieces of the total pattern the American people expect their legislators to cut to fit our Nation's needs.

One of the largest customers for American production in the next few years will be State and local government. This is a matter of necessity. While we pride ourselves as a Nation on our high standard of living, let us not forget our shortcomings. America needs many of the goods and services which only government can give, and in giving these goods and services, the Government must buy and consume.

It is estimated that the total needed improvement program for State and local roads and bridges alone today amounts to more than $7,000,000,000. An anual highway program of $3,000,000,000 a year is the minimum necessary to meet present needs. The American Road Builders' Association recommends a total public construction program of $5,000,000,000 annually, leaving a balance of $2,000,000,000 annually for other public works, water and sewer facilities.[1]

The total national postwar need for all public school and college plant facilities will be about 6½ billion dollars, 3 billion dollars of which is so urgently needed as to be necessary during the next 5 years.[2]

Forty percent of our counties, with a total of 17,000,000 inhabitants, have no registered general hospitals today, and more than two-thirds of our States have fewer hospital beds than are considered adequate by professional standards.[3]

A recent census of water treatment facilities by the United States Public Health Service estimates the cost of additional water supply facilities needed immediately to be approximately $683,300,000. About 11 percent of our total population is served by public water supplies receiving no treatment.[4]

At least 1,500,000 new housing units must be built each year for the next 10 years to supply minimum low-cost housing needs.[5]

[1] A Sound Plan for Post-War Roads—and Jobs, American Road Builders' Association, Washington, D. C., p. 51.

[2] Planning for Post-War Municipal Services, an analysis of problems and trends with suggestions for developing local policies. (Chicago, the International City Managers' Association, 1945), ch. 14, Education, by Bess Goodykoontz, p. 82.

[3] Alvin H. Hansen and Harvey S. Perloff, State and Local Finance in the National Economy (New York, 1944), p. 187.

[4] Public Health Reports, LIX (January 7, 1944).

[5] CIO Reemployment Plan, by Philip Murray, Congress of Industrial Organizations, Washington, D. C., p. 7.

These are pressing needs. But no amount of planning for construction alone will achieve our goal if the human element is overlooked. State and local government pay rolls, today surpassed only by the metal products industry and the combined total of all wholesale and retail trade, must do their share to swell the purchasing power of their more than 3,000,000 employees.

The teachers in our newly built schools must not be allowed to continue to eke out an existence on less than $1,000 a year, as more than a quarter million did in 1942–43.[6] The women cleaners must bring home more than 50 cents an hour, their present wage in New Rochelle, N. Y. The fireman in the boiler room must get more than the 62½ cents an hour that he now receives in Chisholm, Minn. Workers in school cafeteria kitchens must take home more than the $2.98 a day now paid in Boston, Mass.

The bright new hospitals will not properly service community health if the nurses continue to live on an average minimum of $107 a month, and if other employees continue to work 72 hours a week at rates of less than $25 as many do now in New York's State hospitals. New roads will not be well serviced by workers compelled to pay $7 to $9.50 per month to enroll in the State employees' retirement system out of earnings of 65 cents an hour. The men in charge of our State parks and forests will not be able to contribute their purchasing power to the general welfare of the rest of the country if their semimonthly take-home pay, out of a gross of $72.50, continued to be $43.95.[6]

Because they form the one homogeneous group of workers found in every community, industrial, farm, rural, or town, the purchasing power or lack of it of State and local government employees cannot help but have a telling effect on the difference between the development of a sound economic policy of full employment or a return to prewar low production conditions.

In a brief on the economic problems of State and local government workers submitted by this union to the Senate Subcommittee on Wartime Health and Education on January 25, 1944, and attached to this document, it was clearly shown that this body of workers does not today receive enough money to exist on a bare health and decency level.[7]

It was shown that Government employees, in 1941, were 13.2 percent behind their relative position in 1939, with the result that the approximately 17 percent increase they have received during the period of the Little Steel formula has left them in economic circumstances far less favorable than those enjoyed by the majority of privately employed workers. It was demonstrated that State and local-government employees suffer low take-home pay due to absence in their pay envelopes of overtime and premium bonuses. Their hours, because of their exclusion from the provisions of the Federal wages and hours law, tend to be longer than those in private industry. Their working conditions are exceptionally hazardous and injurious to health. They are not covered by social security, nor, in hundreds of classifications, by State and local retirement plans, so that the threat of pauperism hangs continually over their heads. By their exclusion from the National Labor Relations Act, they are denied the benefits of collective bargaining under the law of the land, except insofar as they have been able to win it in isolated sections of Government through self-organization in unions.[8]

One final reason why State and local government workers lag behind their privately employed fellow citizens lies in the fact that while wartime increases for industrial workers are permanent increases, those for State and local government employees have in many instances been in the form of temporary wartime benefits only. Five of the States surveyed by the Bureau of Labor Statistics during the past year definitely indicated that salary raises were of a temporary nature, while three others implied that increases were only for the duration of the war.[9] While no data on the status of wartime pay increases to municipal

[6] Specific examples are all taken from this union's files on wages existing in affiliated local unions.

[7] Economic Problems of Local Government Workers, submitted by Abram Flaxer, president, State, County, and Municipal Workers of America, CIO, to the U. S. Senate Subcommittee on Wartime Health and Education hearings on white-collar and Government workers, January 25, 1944.

[8] The State, County, and Municipal Workers of America today has on file at the national office 19 contracts in effect with local government units. Since its formation in 1937, the union has won approximately $175,000,000 in wage increases for State and local government employees.

[9] According to a letter from A. H. Hinrichs, Acting Commissioner of the Bureau of Labor Statistics, dated September 26, 1944, the following five States granted increases of a temporary nature: California, Colorado, Massachusetts, New Hampshire, New Jersey. In the following three, increases are for the duration of the war: Minnesota, New York, North Carolina.

employees is available, it is worth while to point out that the largest city in the country, New York, from which it is probably fair to say that most other cities take direction, has in the overwhelming majority of cases granted no permanent increases to its employees (with the exception of routine annual increments provided by law) since the beginning of the war.[10]

On the strength of testimony presented by our union and by many other groups of low-paid workers to the Senate Subcommittee on Wartime Health and Education last January, the committee found that $50 a week was essential to the maintenance of a bare living for a family group, and $150 a month for a single person.[11] These findings are supported by every budget priced by reputable Government and private agencies. The annual amount required to maintain a four-person manual worker's family at a maintenance level in June 1944, was $1,746.55, or approximately 83.7 cents an hour on the basis of a 40-hour week.[12] The Heller committee has estimated $3,721.35, or approximately $1.80 an hour, as the minimum annual budget for a white-collar worker's family of four, and $2,964 13 (approximately $1.42 an hour) as the minimum budget for a manual worker's family of four.[13]

The Senate subcommittee's findings on the necessity of $200 a month for the head of a family and $150 for a single person, or approximately $1.15 and 86 cents an hour, respectively, on the basis of a 40-hour week, demonstrate conclusively how long overdue is legislation setting 65 cents, or about half or three-quarters of the amount actually needed—as the hourly rate figure below which the National War Labor Board shall consider rates substandard. Passage of such legislation will only be a step in the right direction, comparable to the passage of the Wages and Hours Law in 1938, and a step which is long overdue.

Present hourly rates of State and local government employees

The most ecent statistics available on average earnings in State and local government employment show that in July, 1944, average monthly earnings were $129.[14] On the basis of a 40-hour week, this is an average hourly earning of 74.3 cents; on the basis of a 44-hour week, 67.6 cents; and on the basis of a 48-hour week, 62.4 cents.

These average amounts are earned by the largest homogeneous group of employed workers in the country—3,131,400 men and women employed in our States, cities, counties, townships, and school boards.[15] 1,804,000 of this number are non-school State and local government workers, a group exceeded in number only by those employed in the transportation equipment (except auto) industry.[16]

The brief referred to above, Economic Problems of Local Government Workers, amply demonstrated that this great segment of American workers cannot live decently on average earnings which are higher than the rate this bill under discussion asks the War Labor Board to set as a minimum. One reason for this is apparent on comparision of this average hourly earning rate to average hourly earnings in private industry.

As the attached table shows, the only hourly earnings lower than those in the State and local government services occur in textile-mill products and other fiber manufacturing, in tobacco manufacturing, retail trade, hotels, laundries, and cleaning and dyeing, all industries with traditionally low minimum rates.

Our organization is interested in the establishment of a 65-cent minimum rate for the same reason all other organizations taking part in these hearings are interested, despite their generally higher averages—the great prevalence of hourly rates falling far below the average.

Any average presupposes many higher and many lower rates. When it is understood that the average hourly earnings calculated on the basis of the Census Bureau's estimate of average monthly earnings include administrative salaries, it becomes immediately obvious that these average earnings must be considerably higher than the actual average earnings of rank and file employees in State, county, and city departments.

[10] A wartime bonus of $240 per year for all New York City employees earning less than $2,400 annually has never been made a permanent part of the city's salary schedule.
[11] Subcommittee Rept. No. I, pursuant to S. Res. 74.
[12] This figure is arrived at by using the figure for June 15, 1943, $1,703.95, increased by the 2.5-percent increase in the cost of living since that time. Monthly Labor Review, September 1944, p. 607.
[13] Wartime Budgets for Three Income Levels, University of California Press, Berkeley, Calif., 1944.
[14] Unpublished data furnished by the Department of Commerce, Bureau of the Census.
[15] Government Employment, vol. 5, No. 1, July 1944, Department of Commerce, Bureau of the Census.
[16] Monthly Labor Review, May 1944, pp. 1107–1109.

Average weekly hours and hourly earnings, June 1944,[1] manufacturing

Industry	Average weekly hours	Average hourly earnings
		Cents
All manufacturing	45.5	101.8
Durable goods:	46.9	108.2
Iron and steel and their products	46.6	103.0
Electrical machinery	49.1	112.3
Machinery, except electrical	47.3	126.2
Transportation equipment, except automobiles	45.9	127.2
Automobiles	47.1	104.8
Nonferrous metals and their products	44.6	79.8
Lumber and timber basic products	44.6	81.3
Furniture and finished lumber products	43.9	89.3
Stone, clay, and glass products		
Nondurable goods:	42.0	71.2
Textile-mill products and other fiber manufactures	38.2	78.3
Apparel and other finished textile products	41.7	80.1
Leather and leather products	45.9	85.1
Food	42.3	70.6
Tobacco manufactures	41.2	107.7
Printing, publishing, and allied industries	46.0	96.3
Chemicals and allied products	46.8	118.1
Products of petroleum and coal	45.2	109.3
Rubber products	46.1	95.8
Miscellaneous industries		
NONMANUFACTURING		
Coal mining	40.9	114.4
Metal mining	44.6	100.8
Quarrying and nonmetallic mining	47.5	85.0
Crude-petroleum production	45.7	113.6
Public utilities:	(2)	(2)
Telephone and telegraph	43.8	110.4
Electric light and power	50.6	93.2
Street railways and busses		
Trade:	43.0	98.6
Wholesale	42.3	70.0
Retail		
Hotels (year round) (cash payments only; additional value of board, rooms, tips not included)	44.5	50.1
Power laundries	43.6	61.7
Cleaning and dyeing	44.3	72.2
Private building construction	40.2	130.0

[1] Monthly Labor Review, September 1944, pp. 650–653.
[2] Data not available because of merger of Western Union and Postal.

Without going into the effect on health and general welfare caused by low rates in the State and local government service, which are adequately covered in Economic Position of Local Government Workers, it is pertinent to indicate the vast number of these workers whose hourly rates today fall below 65 cents an hour.

When average earnings are broken down by function and the relative high concentration of employment in those functions with low averages is understood, a clearer picture emerges of the widespread low average earnings in some of the most important agencies of local government.

Average monthly earnings and percent distribution of employees of State and local government nonschool employees, by function, October 1943 [1]

[Totals adjusted to include estimates for nonreporting cases]

	Average monthly earnings	Percent distribution of employees
All employees	$126	(2)
General administrative, financial elections and legislative	103	20.6
Protection:		
Police and other protection	175	11.2
Fire	159	5.9
Streets and highways	112	19.7
Sanitation and waste removal	130	4.1
Health and hospitals	104	14.0
Public welfare (excluding persons on work relief)	124	3.9
Development and conservation of natural resources	155	2.0
Correction	135	1.8
Unemployment compensation	166	.8
Other general functions	119	6.5
Public service enterprises:		
Water supply	141	3.6
Electric light and power	174	1.6
Other	178	4.3

[1] Department of Commerce, Bureau of the Census, Jan. 27, 1944.
[2] Data does not add to 100 percent because of rounding.

With the exception of the police department low average earnings coincide in all cases with the largest distribution of workers.

Street and highway departments constitute 19.7 percent of all State, county, and local government employees. The average monthly earning for October 1943 of $112, calculated on a 40-hour week, becomes an everage hourly earning of 64.6 percent; on the 44-hour week, an average hourly earning of 58.7 cents; and on the 48-hour week, an average hourly earning of 53.8 cents.

The following spot examples show that these figures are not unrealistic:

In the State of Maryland, highway department employees receive the following rates: Chauffeur, road maintenance and repair, 55 cents an hour; watchmen, 40 cents an hour; laborers, 50 cents an hour; pull-grade operators, 55 cents an hour; small tractor operators, 55 cents an hour.

Day laborers, classes A, B, C, D, and E in the city of Miamisburg, Ohio, receive 40, 45, 50, and 55 and 60 cents an hour.

A study of average wages of unskilled labor in Massachusetts cities in 1942 shows the following average rates: [1]

	Average daily rate	Hourly (basis 40), cents
4 towns of over 25,000	$5.29	66.1
32 towns of 10,000 to 25,000	4.74	59.2
46 towns of 5,000 to 10,000	4.80	60.0
57 towns of 2,500 to 5,000	4.60	57.5
79 towns of 1,000 to 2,500	4.44	55.5
68 towns under 1,000	4.35	54.3

Street department truck drivers in Bridgeport, Conn., receive 65 cents an hour. Unskilled street department laborers in Los Angeles, Calif., receive $123.90 a month.

Laborers in street maintenance department of Peoria, Ill., receive $25 a week for a 5-day week, or the equivalent of 62 cents an hour.

[1] Municipal Salaries, Massachusetts, 1942, Massachusetts Federation of Taxpayers Association, Boston, Mass., 1943.

The average monthly earnings in October 1943, for all employees in State, county, and municipal health departments and hospitals, which constitute 14 percent of all State, county, and municipal employees, was $104. On the basis of 40 hours, this is 60 cents an hour; on the basis of 44 hours, 54.5 cents an hour; on the basis of 48 hours, 50 cents an hour.

These estimates are in fact extremely high.

At the University of Virginia Hospital, kitchen maids receive 22½ cents an hour, or $10.80 a week, for a 48-hour week—and this includes a 20-percent wartime bonus.

Attendants at Woodville State Hospital, in Pennsylvania, receive $61.50 a month for a 48-hour week, or 29 cents an hour.

Kitchen workers in the Nopeming, Minn., Sanitarium get $57.50 a month for a 48-hour week, or 27½ cents an hour.

The New York district of this union estimates that about 90 percent (or about 14,500) of the 48-hour positions budgeted for the New York City Department of Hospitals call for wages of less than 65 cents an hour. It is perhaps pertinent to add that the present manpower shortage has resulted in failure to fill about 20 percent of the positions budgeted.

The average monthly earnings in public welfare departments in October 1943 was $124, or 71.5 cents on the basis of a 40-hour week; 65 cents on the basis of 44 hours; and 59.6 cents on the basis of 48 hours.

Let's look again at some examples:

Typists and clerks in the Cook County, Ill., Department of Welfare earn $100 a month for a 36-hour workweek, or the equivalent of 64 cents an hour.

Clerks in the Baltimore, Md., Department of Welfare receive $1,100 annually, or, for a 40-hour week, 53 cents an hour.

Nine hundred and seventy-eight employees of the New York City Department of Welfare earn less than 65 cents an hour, distributed as follows:

Title	Salary [1]											
	$780	$900	$960	$1,040	$1,080	$1,160	$1,200	$1,203	$1,260	$1,320	$1,380	
Clerks							169	1		156	13	
Typist							104		1	29	1	
Lunchroom helper	27	140		5		95				19		
Senior lunchroom helper (544,000 hours, at 50 cents an hour)			11		89		1			45		
Laborer							1			6		
Cleaner							1		3	15	5	
Bookkeeper								2		4		
Nurse										1		
Messenger								1				
Elevator operator							1			2		
Telephone operator										2		
Office appliance operator										1		
Cook								1		1		
Stenographer										4	1	
Attendant										15		
Stock attendant										3		
Total	27	140	11	5	89	95	277	5	4	305	20	

[1] Average workweek is 42 hours with exception of employees at $780 and $960, 30 hours; and employees at $900 and $1,040, 40 hours.

Two thousand three hundred and two workers in other New York City departments, in which this union is organized, earn less than 65 cents an hour.

No over-all estimate of the number of State, county, and municipal workers employed on an hourly basis is available. However, the following table drawn from data available in the Government's division of the Bureau of the Census shows that the number of workers employed at an hourly rate is jurisdictions for which information was procurable varied from 1.51 percent in one city between 250,000 and 500,000 population to 59.12 percent in townships under 2,500.

Type of government by size group

	Ratio of number of hourly workers to total[1] (percent)
States:	
Arizona	25.75
California	6.16
Virginia	12.01
Cities over 1,000,000: Detroit, Mich.	44.15
500,000 to 1,000,000: San Francisco, Calif.	20.53
250,000 to 500,000:	
Rochester, N. Y.	18.39
Minneapolis, Minn.	1.51
100,000 to 250,000:	
Gary, Ind.	32.78
Grand Rapids, Mich.	21.65
Fort Worth, Tex.	4.81
Syracuse, N. Y.	5.28
50,000 to 100,000: Jackson, Mich.	11.77
25,000 to 50,000: Bay City, Mich.	26.14
10,000 to 25,000: Jefferson City, Mo.	12.50
5,000 to 10,000: (2 units)	37.06
2,500 to 5,000: 7 units	20.82
1,000 to 2,500: 8 units	18.56
Under 1,000: 8 units	33.33
Townships under 2,500: 6 units	59.12
Counties 5,000 to 10,000:	
1 unit	52.27
Alameda County, Calif.	5.13

[1] Unpublished data furnished by the Department of Commerce, Bureau of the Census.

This surprisingly high incidence of hourly rate employment in local government service points to the fact that government workers, contrary to popular belief, share that most pressing problem of all hourly rate workers, the lack of a guaranteed annual wage.

Another indication of low hourly rates prevailing in the State and local government service appears in the attached survey of the lowest rates specified in union agreements with government units, compiled by the Bureau of Labor Statistics from unpublished data.

Lowest rate specified in union agreements[1] with Government units, exclusive of apprentices and learners

Location	Occupation	Rate	Adjusted to hourly rate
Agreement A—Springfield, Ill.	Assistant custodian (woman).	$90 per month (workweek not specified).	52 cents at 40. 47 cents at 44. 43 cents at 48.
Agreement B—Sturgis, Mich.	Stockkeeper	$124.32 per month (44-hour week).	65 cents per hour.
Agreement C—Chatanooga, Tenn.	Meter repairman, yardman, and meter reader (outside city).	$100 per month.[2] (40-hour week).	57½ cents per hour.
Agreement D—Alexandria, La.	Firemen, first class	$148.50 per month (workweek not specified).	85 cents at 40. 77½ cents at 44. 71 cents at 48.
Agreement E—Livingston, Mont.	Cemetery and extra labor.	$5.50 per day	68⅝ cents at 8-hour day.
Agreement F—Moline, Ill.	Janitress	$100 per month (for 11 months) (workweek not specified).	57½ cents at 40 hours. 52½ cents at 44. 48 cents at 48.
Agreement G—Ludington, Mich.	Common labor	50 cents per hour	
Agreement H—Springfield, Ohio	Laborer	60 cents per hour	
Agreement I—Keokuk, Iowa	Cemetery labor	50 cents per hour	
Agreement J—Linn County, Iowa	Extra help	do	
Agreement K—Arnold, Pa.	Laborer	73 cents per hour	
Agreement L—Jeanette, Pa.	Janitor	$115 per month (workweek not specified).	66 cents at 40. 60 cents at 44. 55 cents at 48.
Agreement M—Detroit, Mich.	Coach service man	70 cents per hour	

[1] Taken from agreements on file in the Bureau of Labor Statistics.
[2] "Temporary additional compensation" of $24 per month.

Out of 29 contracts, 17 show a minimum rate of less than 65 cents an hour. Considering the low incidence of union organization in the local government service, it is fair to assume that wages occurring in government departments where contracts obtain would tend to be higher than wages in unorganized divisions of overnment.

A survey of straight-time hourly rates of male daily and hourly paid workers on the pay rolls of 13 selected cites in the spring of 1944 shows minimum hourly earnings as low as 37, 42, and 45 cents an hour. The percentage of hourly rate employees to total number of employees varies from 1 to 24 percent, but in most cases approximates 10 percent. These figures are cited merely as examples of the situation in some individual cities. They do, however, indicate that at least a number of cities varying in size from about 150,000 to over 5,000,000 population, and well distributed geographically, are paying a large percentage of their daily and hourly rate employees well under 65 cents an hour.

The Congress today is faced with the responsibility of playing its role in the common American effort to create a postwar world which will justify the ravages of World War II. No individual, no organization, above all no agency or representative of Government, is justified in setting its sights on the eve of victory at less than full employment and the more abundant life for everyone. We will fail in our objectives if we continue to look to the past or even to the present for our measure of what American wage policy is to be. The organized State and local government workers look to the Congress to accept the challenge of the future.

Proportion[1] and range of rates[2] of daily and hourly paid workers on pay rolls of 13 selected cities, spring, 1944 (preliminary)

City	Percent of total employees			Straight-time hourly rates[3] of male daily and hourly paid workers							
				Labor classifications[4]				Classifications other than labor[5]			
				Daily paid		Hourly paid		Daily paid		Hourly paid	
	Daily and hourly paid workers	Daily paid workers	Hourly paid workers	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest
A	10	5	5	$0.55	$0.68	$0.63	$0.95	$0.56	$0.78	$1.05	$2.00
B	10	2	8	-------	-------	.65	.83	-------	-------	.77	1.08
C	5	4	1	.54	.78	.74	.74	.69	1.81	.78	1.83
D	10	3	7	.45	.62	.62	.66	-------	-------	.70	.80
E	18	15	3	.37	.62	.42	.79	.40	1.18	.74	1.73
F	10	8	2	.56	.80	.50	.61	.50	1.65	63	1.65
G	11	1	10	.50	.50	.75	.90	-------	-------	.80	1.16
H	9	1	8	.78	.91	.67	.84	.89	.93	.76	1.03
I	2	1	1	.75	.75	.88	.88	1.50	1.70	.78	1.63
J	13	12	1	.63	.66	.60	.60	.56	.78	-------	-------
K	24	21	3	.63	.98	-------	-------	.79	1.90	.89	.89
L	1	0	1	-------	-------	-------	-------	-------	-------	1.25	1.73
M	4	0	4	-------	-------	.80	.80	-------	-------	1.44	1.50

[1] Includes both male and female workers.
[2] Male workers only. Women were not numerous enough in hourly or daily paid occupations to justify presentation of rate ranges.
[3] Excluding premium payments for overtime and night-shift work, but including cost-of-living bonuses paid by 7 of the 13 cities. Rates of daily paid workers are shown in terms of their hourly equivalents. All other employees studied in these cities are paid on a weekly, monthly, or annual basis, and are therefore not included in this tabulation.
[4] Includes, in addition to laborers, such occupations as food service helpers, janitors, and watchmen.
[5] Includes such occupations as cooks, gardeners, guards, skilled craftsmen, stationary engineers, firemen, truck drivers, and heavy equipment operators.

Source: U. S. Department of Labor, Bureau of Labor Statistics, Washington, Division of Wage Analysis, Oct. 3, 1944.

EXHIBIT 56

STATEMENT IN SUPPORT OF THE 65-CENT MINIMUM WAGE BILL (S. 1349, PROPOSED AMENDMENTS TO THE FAIR LABOR STANDARDS ACT)

Submitted by International Fur and Leather Workers Union, CIO, October 8, 1945

The International Fur and Leather Workers Union, CIO, which represents 100,000 organized fur and leather workers, fully supports passage of the bill to establish a minimum hourly wage of 65 cents (S. 1349, proposed amendments to Fair Labor Standards Act).

Passage of this bill will aid in maintaining the purchasing power of the people through raising the floor under the national wage structure. Without maintaining and increasing the purchasing power of the people, a contraction

of our economy would result which would eventually develop into another terrible economic crisis.

Workers' wartime savings and even a greatly expanded foreign trade are not sufficient to bolster the Nation's purchasing power. Technological development has increased the productive capacity of industry to such an extent that only an expanded domestic market can provide the purchasing power necessary to maintain full production and employment. Unless immediate steps are taken by the Government to stimulate this purchasing power of the masses of consumers, we are headed for crisis and chaos.

The immense rise in the cost-of-living necessitates increased wages to enable workers to obtain even the minimum of necessary food, clothing, and shelter for themselves and their families to safeguard their health.

In March 1944, the University of California Heller committee issued a report on the basis of the cost of living at that time that revealed that a minimum of $2,964.13 is needed. And the cost of living has risen since then considerably. On the basis of the Heller committee's report, at least $1.42 an hour would be needed as the minimum hourly rate in order to provide the necessary annual income to meet adequately the economic, medical, and educational needs of a worker and his family.

Unless purchasing power is increased to meet the higher cost of living, history has shown that we will again be subjected to a contraction of our economy that will result in starvation, misery, insecurity, unrest, demoralization. This Nation still remembers the horrible wave of crimes and juvenile delinquency which ensued during the last economic crisis, when poverty and starvation forced women out into the streets as prostitutes in order to obtain sufficient money for food, small children into stealing to augment inadequate family incomes.

Nothing will prevent the most bitter and widespread strikes and struggles by the workers to win wages that will enable them to meet the cost of living. During the war the trade-unions had an extremely difficult task to uphold the no-strike pledge in order to maintain continuous production to defeat the fascist enemy. This restraint is gone today. The failure of government to take specific steps, such as the enactment of the 65-cent minimum, would serve only to encourage more and bigger strikes to obtain a decent wage.

Both business and labor will suffer unless the purchasing power of the people is increased. The prosperity, well-being, health, and morale of the entire Nation is contingent upon an expanding economy to which increased purchasing power is essential.

The 65-cent hourly minimum proposed by the Pepper bill is itself entirely inadequate for a minimum of health and decency. No worker and his family can live decently on an annual income of only $1,352 a year which would be total earning if a worker were fully employed for 40 hours a week, 52 weeks a year at the rate of 65 cents an hour. We firmly believe that the 65-cents-an-hour minimum proposed in the bill is insufficient, that a considerably higher figure should be established. However, the Pepper bill is a step in the right direction. Our experience in the fur and leather industries bear this out.

Our union has contractual relations covering 90 percent of the workers employed in the fur industry. The overwhelming majority earn considerably more than 65 cents an hour under the provisions of union contracts. The very small percentage of four workers who do not, would of course benefit from passage of the bill. The general wage structure of the fur industry is higher than in the leather industry.

Our union is the collective bargaining agent for approximately 80 percent of the workers employed in the leather tanning and finishing industry. The large majority of these workers were organized during the past 5 years. We have contractual relations with approximately 300 companies, with the overwhelming majority of the large firms in the industry and in practically every State where tanning is carried on.

In a study of the leather tanning and finishing industry as a whole made by the Department of Labor, average hourly earnings in the industry in September 1939 were 62.3 cents. In January 1931 straight-time hourly earnings averaged 66.2 cents; in December 1943 they were increased to 87.7 cents; and in December 1944 to 90.6 cents.

The leather industry can well afford to abide by a 65-cent minimum wage, and higher. War Profit Study No. 12, issued by the Division of Research Financial Analysis Branch of the Office of Price Administration in March 1945, shows that the leather-tanning and finishing industry (excluding shoes and finished leather-goods products) made some of the greatest profits ever obtained in the industry.

For the first 6 months of 1944, it made 56.8 percent more than for the corresponding period of the previous year, 63.4 percent more than for the corresponding period in 1942, and an increase of 129.3 percent over the average for the corresponding period in 1939. This is after taxes. If the picture of profits in the industry could be shown before taxes, especially during the war when taxes rose considerably, the actual increase in profits would be much greater.

The leather industry enjoyed a rise in its profits of over 129 percent during the period when our union won substantial wage increases and increased wage rates approximately 45 percent. Price control of all tanned and finished leather by the Government during the war adds even greater weight to this point. Higher wages have proved a boon to the leather industry and in fact to all industries. The low-wage industries are the least healthy section of our economy.

On the basis of experience in our industries, the facts show that even the limited increases in wages won since 1939 were an asset to the employers in the leather industry as well as the workers. A healthier worker produces more. The miserably low wage level in the leather industry inevitably tended to keep production down because of malnutrition, ill health, high turn-over of labor force, and all the other results of a low standard of living. During the time when wage increases were obtained, productivity in the leather industry rose. While we cannot estimate the effects of purely technological improvements on productivity during this period, it is common knowledge that it was not the decisive factor and that the labor factor was of basic importance. The following figures on productivity were prepared by the Bureau of Labor Statistics and published in August 1945. During the same 5-year period that wages rose, as represented by the jump in average hourly earnings from 62.3 cents in September 1939 to 90.6 cents in December 1944, output per man-hour increased steadily to the point that in 1944, 15 percent less workers produced 14 percent more leather after making allowances for overtime work. Productivity per man-hour was 14.2 percent more than in 1939.

While it is true that only approximately 5 percent of the leather workers earn less than 65 cents an hour, it is apparent that the low wage level of one section of workers is a threat to the wage standards of the workers in the rest of the industry. Those workers are mainly in the few unorganized shops, which are continually being reduced in number. Elimination of differentials in wages throughout the industry by raising the wage floor would aid in stabilizing the industry and eliminating unfair competition.

Passage of the bill would not be any hardship to the leather industry. To our knowledge, there is no data to show that when the 40-cents-an-hour minimum was established in the industry that any firm went out of business because of this. There are approximately the same number of workers today making less than 65 cents an hour in the industry as there were making less than 40 cents an hour at the time of the establishment of the latter minimum.

We urge passage of the Pepper bill, even though inadequate, as a step in the right direction of establishing a higher floor under the national wage structure that will protect the health and welfare of the workers, will help increase purchasing power, and help stabilize our economy. The well-being and prosperity of the Nation demands an expanding economy which can be achieved only through full employment and higher wages.

Respectfully submitted.

INTERNATIONAL FUR AND
LEATHER WORKERS UNION, CIO,
BEN GOLD, *President.*
PIETRO LUCCHI,
Secretary-Treasurer.

EXHIBIT 57

HOTEL AND RESTAURANT EMPLOYEES' INTERNATIONAL ALLIANCE,
AND BARTENDERS' INTERNATIONAL LEAGUE OF AMERICA,
Cincinnati (2), Ohio, October 23, 1945.

BRIEF FILED WITH SENATE COMMITTEE ON EDUCATION AND LABOR, IN SUPPORT OF S. 1282 BY CHARLES E. SANDS, REPRESENTING THE ABOVE NAMED ORGANIZATION

1. Endorse the statements made in behalf of this bill by Mr. Louis Hines of the American Federation of Labor, and by Mr. A. E. Lyons, executive secretary of the Railway Labor Executives Association. And in further support of the

proposed amendment to subsection (3) which seeks to amend said section by inserting after the word vessel, "employees of common carriers engaged in serving food and beverages."

I attach herewith an editorial by our late General President Edward Flore, taken from pages 3 and 4 of the September issue of our official magazine, the Catering Industry Employee.

"NATIONAL LEGISLATIVE PROGRAM ON BEHALF OF THE DINING-CAR WORKERS

"The executive council of the American Federation of Labor, of which I am a member, at a recent meeting in Chicago, gave hearty approval to the amendments to the Fair Labor Standards Act, as proposed by Senator Mead of New York and several colleagues in S. 1282.

"Our international union is especially anxious to have these amendments passed because a number of workers whom we represent are covered by some of the provisions of the bill and now receive less than 65 cents an hour. These particular people are the dining-car employees in the employ of approximately 90 percent of the Nation's railroads that have dining car service. The hourly pay of many of these workers is much lower than that of workers in other basic industries, and, while in most instances the pay now received is in excess of the minimum provided by the present law, it is less than 65 cents.

"Further, it was decreed by the former Secretary of Labor that time and one-half provisions of the law (time and one-half after 40 hours) did not affect railroad workers. This, of course, included dining-car employees. Time and one-half contracts with railroads covering dining-car employees provide for time and one-half in case an employee works over 240 hours in a calendar month, which really only sets-up the principle of time and one-half for it actually adds nothing to the take-home pay of the workers. It means a worker must work an average of 30 8-hour days in a month before he can earn overtime.

"From this obviously unfair situation the carrier has been able to deduct, under section 3M of the present law, the cost of board and lodging furnished dining-car workers. This is not board and lodging in the true sense, for it is only furnished by the carriers when dining-car workers are away from their home terminal on the carrier's business. In other words, it is identical to the circumstances as that of the crew of a vessel that has left port.

"THE CATERING-INDUSTRY EMPLOYEE

"We now note that S. 1282 contains a proposal to amend subsection M, section 3, in the following manner:

"'Wages paid to any employee, except members of the crew of a vessel, includes the reasonable cost, as determined by the administrator, to the employer of furnishing such employees with board, etc.'

"We sincerely trust that dining-car and other workers in the employ of the railroads, engaged in the preparation and service of food and beverages for the public, will be placed in the afore-mentioned amendment to the law in the same category as the crew of a vessel. Before the Fair Labor Standards Act there was no deduction for board and lodging furnished by the carrier to dining-car employees."

Respectfully submitted.

CHARLES E. SANDS.

EXHIBIT 58

STATEMENT SUBMITTED BY J. E. LENTIE, LEGISLATIVE REPRESENTATIVE TOBACCO WORKERS INTERNATIONAL UNION A. F. OF L. ON S. 1349—AMENDMENT TO THE FAIR LABOR STANDARDS ACT

American employers have proved for the last century that high wages mean efficiency. To pay workers enough to maintain an adequate living standard is sound business, and it is a well-known fact that the most efficient workers are the highest paid workers, who have enough food, clothing, and good housing to maintain morale and physical energy.

The tobacco industry has always been one of the sore spots of the American economy because of its low wages. Yet in plants organized by the Tobacco Workers International Union wages have been raised to 65 cents or more for the vast majority of the employees. We have proved that the 65 cent wage is practical and efficient and that our employers can operate profitably under it.

Yet in unorganized plants many workers receive little more than the 40-cent minimum wage required by law. Cost of living has increased during the war, and they live in conditions of utmost poverty. Their homes are shacks and many have no water or inside toilet facilities. All their water must be carried from a hydrant.

Workers and their families living on wages of less than 65 cents an hour cannot get the food they need. They live on corn bread, fatback, and beans. This diet, when examples of it were shown to the United States Department of Agriculture, was pronounced by it to be a "pellagra-producing diet."

Living conditions are much better for those making 65 cents an hour. They are better clothed, better fed, and live in very much better homes.

In the tobacco industry wages form a very small part of total production costs. The 1939 census of manufacturers shows that while the production of the entire tobacco manufacturing industry amounted to $1,320,000,000 in 1939, wages were only $69,000,000, or 5 percent of the value of the product.

This means that wages can be raised by the amount necessary to meet the 65-cent minimum without imposing a serious burden upon the industry.

It is significant that profits in the tobacco industry have been at a very high level. OPA figures show that 15 leading tobacco manufacturing companies earned 18 percent on their net worth in the first half of 1944 before taxes. Profits of these companies were 20 percent above the average for a similar period in the years 1936-39. All the evidence we have shows that tobacco companies, large and small, can well afford to pay the 65-cent minimum wage.

Reports from Standard and Poor's industry surveys show that the outlook for both cigar and cigarette manufacturers in the postwar period is favorable. "Cigarette companies will retain the great bulk of the wartime gains in consumption," says this service. "Earnings of cigarette companies are expected to be well maintained this year * * * the industry has no reconversion problem, and reduced takings by the armed forces should be offset by increased civilian consumption." The service says also "the longer term outlook for the cigar industry is favorable." For the smoking-tobacco industry the production is: "Smoking-tobacco sales are expected to recover considerably from the low 1944 level * * * higher costs will narrow margins * * * earnings from smoking tobacco, however, are likely to improve moderately on the better volume."

This service also shows that profits before taxes for 10 leading tobacco and tobacco-products companies in 1943 were 64.5 percent above 1935 and 44 percent above 1939.

With the high profits now being earned and the excellent outlook for this industry there is no question that it can well afford to lift its workers up to the 65-cent minimum-wage level. The total cost of giving the workers a minimum 65 cent wage, which will mean better food, better health, and a better life for thousands, will amount to only one-half of 1 percent of the income from sales of all companies in the entire industry or about six and one-half million dollars. The profit increase has been $50,000,000 from 1939 to 1943 for only 10 of the leading companies in this industry. There can be no question of the ability of this industry to pay a 65-cent wage.

EXHIBIT 59

STATEMENT OF RICHARD LEWIS, ACTING SECRETARY-TREASURER, OF THE UNITED OFFICE AND PROFESSIONAL WORKERS OF AMERICA, TO THE SENATE COMMITTEE ON EDUCATION AND LABOR ON THE PROPOSED AMENDMENTS TO THE FAIR LABOR STANDARDS ACT (S. 1349)

The United Office and Professional Workers of America, representing 65,000 employees in finance, insurance, publishing, nonprofit industrial and commercial offices, supports the proposed amendments to the wage-and-hour law (S. 1349).

We regard the enactment of all six amendments as essential to provide rates of pay sufficient to insure minimum levels of health, security, and decent living standards. We urge the adoption of these amendments providing minimum hourly rates of 65 cents to 75 cents as essential to eliminate the threat of hunger, privation, ill health, and lowered efficiency from the lives of millions of American workers and particularly the white-collar workers whom we represent.

They are also necessary to fill the pockets of Americans with the purchasing power needed to keep our industrial machinery moving and our Nation prosperous and strong. National purchasing power is now declining as a result of increasing unemployment and reduction in workers' earnings. Higher minimum rates in the

lowest wage brackets will lift purchasing power among those sections of American workers who need it most.

The present minimum wage under the Fair Labor Standards Act, of 40 cents per hour is too low to provide either a family or an individual with minimum subsistence needs. It was adopted during the depression of the thirties and was intended to provide minimum standards in terms of depression needs and depression prices. It must be replaced by minimum wage standards consistent with the needs of our present economy and present price level.

SEVERAL MILLION SALARIED WORKERS AFFECTED

Our organization is vitally concerned with these measures because in every field in which the white-collar workers are employed the largest proportion of substandard wages prevail. In the field of finance, insurance, and real estate, according to a study of the National War Labor Board Research Division, 678,000 out of 1,145,000 employees earned less than 70 cents an hour. In the service industries, which include business and commercial service, advertising, direct mail, and other industries which employ large numbers of salaried employees, 1,360,000 out of 1,897,000 earn less than 70 cents per hour. In the retail trades 2,211,000 out of 4,689,000 earn less than 70 cents per hour.

It is true that these figures cover other than salaried employees working in these industries, including a large number of domestic and maintenance workers. However, they do not include the substantial number of salaried workers who make up groups earning substandard pay in manufacturing, transportation, communication, and public utilities.

The following table shows the distribution by hourly rate in fields where the salaried employees make up the largest group of workers:

TABLE No. 1.—*Distribution of workers in white-collar industries by straight time wage rates, January 1944*

[In thousands of employees]

Hourly rate	Finance, insurance, and real estate		Services		Retail trade	
	Number	Percent	Number	Percent	Number	Percent
Under 20 cents			79	4.2	17	.4
20 to 29.9			217	11.5	477	10.2
30 to 39.9	12	1.0	395	20.7	1,462	31.0
40 to 49.9	136	11.9	379	20.0	1,279	27.2
50 to 59.9	255	22.3	163	7.2	635	13.5
60 to 69.9	275	24.0	127	6.6	343	7.0
70 to 79.9	151	59.2	96	70.2	169	89.3
80 to 89.9	53		148		183	
90 to 99.9	65		67		46	
100 to 109.9	97		62		23	
110 to 119.9	69		75		20	
120 to 129.9	29		18		17	
130 to 139.9	3	(1)	17		9	
140 to 149.9			18		7	
150 to 159.9			2		2	
160 to 169.9			10		(2)	
170 to 179.9			7			
180 to 189.9			5			
190 to 199.9			5			
200 to 209.9						
210 and over			7			
Total	1,145		1,897		4,689	

[1] Everything over 130.
[2] Everything over 150.

Source: National War Labor Board Division of Research and Statistics.

Another survey of the percentage of workers earning less than 65 cents per hour shows the following:

TABLE No. II.—*Percent of workers earning less than 65 cents an hour*

	Percent
Retail trade	78
Services	68
Insurance, finance, retal estate	47
Transportation, communication, public utilities	26
Wholesale trade	24
Manufacturing	24

SUBSTANDARD PROFESSIONAL EARNINGS

Substandard wages among salaried employees are not confined to commercial and industrial offices, nor are they confined to clerical occupations. There are many groups of professional workers, technicians, and other highly trained workers whose earnings are extremely low. The following table, based on average annual salaries reported by the United States Department of Commerce, shows four professional fields in which the average earnings of all employees, including professional employees and executives as well as clerical and maintenance workers, were less than $30 per week.

TABLE No. III.—*Average earnings in selected professions, 1943*

	Annual	Weekly average	Average [1] hourly rate
			Cents
Medical and other health services	$1,157	$22.25	55.6
Legal services	1,375	26.48	66.2
Educational services	1,475	28.38	70.9
Religious organizations	1,477	28.40	71.0

[1] This is based on a 40-hour week; actually the hours in these fields are generally longer and the hourly rate would be lower.

MINIMUM REQUIREMENTS FOR DECENT LIVING STANDARDS

After a careful study of the needs of its members in terms of living costs and the actual experiences of typical white-collar workers, the general executive board of the United Office and Professional Workers of America determined that the lowest salary on which a white-collar worker can maintain adequate living standards is $30 per week. For a 40-hour week this would represent a minimum hourly rate of 75 cents. The normal prewar work week for salaried employees was most frequently 35 hours per week and establishments in which they are employed are now returning to this shorter week. On the basis of a 35-hour week, a minimum-hourly wage of approximately 85 cents would be necessary to provide a minimum weekly salary of $30.

All of the budgetary studies undertaken by Government or private agencies would indicate the need for earnings in excess of $30 per week as the minimum required for adequate living standards. The Textile Workers Union in cooperation with the United States Bureau of Labor Statistics repriced the WPA emergency budget in terms of 1943 prices and found that the minimum necessary to maintain the average American family of four on an emergency level was $1,752 per year, which amounts to 87½ cents per hour on an average 40-hour week.

An hourly rate of pay of less than 75 cents is not only inadequate for men with families, but is also insufficient to meet the minimum requirements of an individual worker. The New York State Department of Labor in its annual budget for 1944 for a woman worker living at home estimated that the minimum budget required would be $1,643.53 per year or $31.60 per week. For a 40-hour week, this would require an hourly rate of 79 cents.

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TABLE IV.—*Budget for a working woman living at home*

Total	$1,643.53
Housing, including fuel and light	181.27
Food	267.62
Household expenses and mother's services	155.42
Clothing	249.06
Clothing upkeep	23.05
Personal care	44.29
Medical care	66.42
Insurance	45.18
Leisure time activities	120.05
Other living essentials	93.91
Income taxes and war bonds	397.26

Source: New York State Department of Labor, March 1945.

The only budget based on the specific needs of white-collar workers is one prepared by the Heller committee. This, unlike other budgets, provides for the special expenses of a white-collar worker and his family, including extra cost for clothing, education, and personal care. The Heller budget sets the minimum requirement for a white-collar family of four in excess of $50 per week.

TABLE IVa.—*Wartime budget for white-collar workers (family of 4)*

[All figures shown include the California retail sales tax]

Item	Annual cost	Percentage of total cost	Item	Annual cost	Percentage of total cost
Total income, frozen at Sept. 15, 1942 level [1]	$3,600.00		Clothing	$390.22	10.5
Total budget, including taxes and reasonable wartime reductions in consumption [2]	3,721.35		Man	92.52	2.5
			Wife	131.45	3.5
			Boy of 13	96.81	2.6
			Girl of 8	69.44	1.9
Deficit [2]	121.35		Housing—rent, including water	588.00	15.8
Total budget [2]	3,721.35	100.00	House operation	131.00	3.5
			Light and fuel	69.84	1.9
Taxes [3]	402.00	10.8	All other items	61.16	1.6
Federal income tax [4]	342.00	9.2	Furnishings	18.19	.5
Unemployment insurance tax	30.00	.8	Miscellaneous	821.75	22.0
Old age insurance tax	30.00	.8	Automobile upkeep	98.10	2.6
			Medical care	179.02	4.8
Purchase of war bonds—10 percent of income	370.00	10.0	Life insurance premiums	178.20	4.8
			Care of the person	79.34	2.1
Total consumption items	2,949.35	79.2	Recreation	86.42	2.3
			Carfare	74.13	2.0
Food	1,000.19	26.9	Tobacco	27.30	.7
			Gifts	23.32	.6
Meals at home, family	839.54	22.6	Association dues	15.10	.4
Meals away from home	160.65	4.3	Church and charity	18.00	.5
			Other items	42.82	1.2

[1] To obtain this figure the average cost of the total peacetime standard budget, including taxes, in the base years March 1939, 1940, and 1941 ($2,972.35), was increased by the change in the cost of living index from the average for those dates to September 1942 (20 percent). Freezing at this date is in accordance with the directives of the amendment to the Emergency Price Control Act and executive orders issued under that authority.

[2] Because of the demands of a wartime economy, the peacetime standard of goods and services for this family has been curtailed insofar as seemed reasonable and desirable. However, it was impossible to reduce the peacetime standard of consumption, plus wartime taxes and bond purchases, to the level established by the freezing order without encroaching upon such fundamentals as food, medical care, and life insurance, or proposing such unrealistic economies as foregoing all recreation or cutting the man's hair at home. The deficit must be made up by increased family income through pay for longer hours or through part-time work by other members of the family.

[3] Automobile taxes and sales tax in effect Mar. 1 and excise tax in effect Apr. 1 are shown with the specific items on which they are levied.

[4] Based on legislation in effect June 1, 1944, which reduced taxes on lower incomes. Takes into consideration community property law of California.

(Source: The Heller Committee for Research in Social Economics, University of California, 1944.)

If Congress is to provide a minimum wage standard sufficient to insure proper levels of food, clothing, shelter, and education to America's white-collar workers, a minimum hourly rate substantially in excess of that proposed in the present amendments is necessary. However, we regard the adoption of these amendments necessary to provide for the immediate increase of minimum pay to 65 cents and by 1947 to 75 cents as a vital step in the direction of providing adequate minimum wage and salary levels.

THE EFFECT OF HIGHER MINIMUMS ON THE SALARY STRUCTURE

Throughout the war, salaried employees received increases in earnings substantially less than that of any other section of the population. While their earnings increased somewhat during the war, these gains were offset by increases in the cost of living.

A subcommittee of the Committee on Education and Labor of the United States Senate investigated the plight of white-collar workers in January and February 1944 and found:

"The effect of this partial inflation were graphically portrayed to the committee by many representative members of the groups under consideration. They gave convincing testimony to show that they dwell constantly in a borderland between subsistence and privation, where even the utmost thrift and caution do not suffice to make ends meet. Like others they expect to make sacrifices for the duration of the war, and they do so gladly; but in their case basic requirements of well-being are not being met. Their standards of dress and nutrition, their continued education, their health safeguards, and such modest security as they have been able to set up against future need, are being foregone in a desperate attempt to meet the demands of the moment. Their personal resources and belongings, including War bonds, are being drawn upon to meet these demands. And, as time goes on, more and more of them are leaving the work for which they are trained and best fitted, forced out of it by the failure of income to match irreducible expenses.

"When this happens on a large scale our country is the loser. These people play an important part in our economy and the prosecution of the war. They operate our schools, churches, hospitals; they man our public service, our Federal, State, and local governments, our financial and scientific institutions; they operate our stores, hotels, restaurants, and communication systems; they do the vast amount of paper work necessary to run present-day society or conduct a modern war.

"The plight of these 20,000,000 Americans is, we believe, the weakest link in an otherwise sound chain. Without prompt measures to provide them a way out of their predicament the war effort will be weakened and the future of our Nation placed in jeopardy."

While the Senate hearings, public awareness of the problem, and the pressure of the white-collar workers themselves had the effect of bringing about some increases, the basic salary structure in white collar occupations still remains very low. With the loss of overtime pay and other wartime wage factors, the earnings of white-collar workers will be primarily determined by the basic rates of pay, which rose far less than their total earnings.

A study made by the Bureau of Labor Statistics in December 1943 in a number of typical cities showed that in spite of increases since January 1941 stenographers and general office clerks were earning average pay of less than 65 cents per hour in almost all cities.

TABLE V.—*Hourly earnings of stenographers and general office clerks in selected cities, December 1943*

City	Stenographers		General office clerks	
	Current rate December 1943	Percent of change since January 1941	Current rate December 1943	Percent of change since January 1941
Town A, Vermont	$0.549	11.4	$0.542	10.4
Town B, New York	.563	14.9	.469	19.9
Town C, Maryland	.481	28.3	.381	28.3
Town D, Virginia	.515	19.8	[1]	[1]
Town E, Ohio	.564	31.2	.472	37.2
Town F, Michigan	.547	41.3	.459	36.6
Town G, Illinois	.566	19.4	.493	14.4
Town H, Nebraska	.348	43.8	.346	33.1
Town I, Colorado	.546	30.3	.460	14.4
Town J, Oklahoma	.791	25.0	.407	23.3
Town K, California	.934	21.1	.827	20.2
Town L, Washington	.921	14.3	.636	10.6

[1] Data not available.

The National Industrial Conference Board which has been making compilations of clerical salaries in a number of representative firms and industries also reveals extremely low rates of pay among white-collar workers.

In a study made as late as April 1945, at which point wages and salaries were at their peak, the NICB study showed that in 13 common clerical jobs the most frequent (mode) salaries were $30 per week or less and that the minimums for these jobs ranged from $14 to $19 per week.

TABLE VI.—*Weekly clerical salary rates in 20 large cities*

	October 1944		April 1945	
	Range	Mode	Range	Mode
Billing-machine operator	$15–$57	$25	$15–$57	$28
Bookkeeping-machine operator	17– 55	28	16– 55	28
Calculating-machine or comptometer operator	15– 54	28	15– 54	28
Junior dictating-machine transcriber	18– 43	22	16– 43	25
Senior dictating-machine transcriber	19– 59	30	19– 54	28
File clerk	16– 58	22	17– 58	20
Key-punch operator	17– 54	28	17– 43	28
Office boy (or girl)	14– 39	20	14– 37	20
Receptionist	18– 50	25	19– 53	25
Stenographer	17– 55	30	17– 59	30
Telephone-switchboard operator	17– 52	30	19– 51	30
Junior copy typist	15– 45	25	17– 45	25
Senior copy typist	18– 48	28	18– 47	28

(Source: NICB Management Records for January and July 1945.)

The experiences of salaried employees in New York City, which is one of the highest-salary areas, shows that their salaries are also in large measure substandard. A comparative study of the same 13 occupations, based on both the NICB rates for New York and a study of the Commerce and Industry Association, show that for 10 of these 13 occupations, the most frequent salaries (mode) were $30 per week or less.

TABLE VII.—*Weekly clerical salary rates in New York City*

	National Industrial Conference Board, October 1944 and April 1945			Commerce and Industry Association of New York, 1944	
	Range, October 1944	Mode			
		October 1944	April 1945	Grade I	Grade II
Billing-machine operator	$22–$51	$30	$32	$31	$32
Bookkeeping-machine operator	18– 49	28	28	34	36
Calculating-machine or comptometer operator	22– 46	34	34	----	----
Junior dictating-machine transcriber	20– 43	25	30	28	----
Senior dictating-machine transcriber	25– 59	30	----	30	----
File clerk	16– 48	23	25	22	27
Key-punch operator	20– 41	30	30	28	30
Office boy (or girl)	16– 33	20	20	20	----
Receptionist	18– 50	25	25	25	----
Stenographer	19– 55	30	30	25	30
Telephone-switchboard operator	18– 45	30	30	30	28
Junior copy typist	19– 45	23	25	25	----
Senior copy typist	20– 47	30	34	25	----

The War Labor Board, as part of its wage-stabilization function, established going rates for white-collar as well as other occupations. In the vast majority of firms whose salaried employees are unorganized, these War Labor Board going rates have tended to become the accepted standards, although there are still many firms which pay less. An examination of the going rates of the War Labor Board in a number of key cities shows that rates for a substantial number of occupations fall below 65 cents an hour on the basis of a 40-hour week.

TABLE VIII.—*NWLB going rates for clerical workers in selected areas*

	Grand Rapids		Nonmanufacturing, Chicago		Indianapolis		New York City		Buffalo		Cleveland	
	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour
Messenger-office boy	$20	$0.50	$20.00	$0.50	$18.50	$0.4265	$20	$0.50	$20	$0.50	----	----
File clerk (I)	20	.50	20.50	.5125	20.50	.5125	22	.55	22	.55	$21	$0.525
Typist (I)	20	.50	20.50	.5125	22.50	.5625	22	.55	22	.55	23	.575
Mail clerk	----	----	----	----	----	----	22	.55	22	.55	22	.55
Machine operator trainee	----	----	----	----	----	----	22	.55	22	.55	----	----
Ditto-machine operator	----	----	21.50	.5375	----	----	22	.55	22	.55	23	.575
Dictating-machine operator (I)	----	----	23.50	.5875	23.50	.5875	24	.60	24	.60	26	.65
Stenographer (I)	24	.60	23.50	.5875	23.50	.5875	24	.60	24	.60	24	.60
Billing clerk	----	----	21.50	.5375	22.50	.5625	24	.60	24	.60	----	----
Timekeeper (I)	----	----	----	----	----	----	24	.60	24	.60	----	----
Telephone operator (I)	24	.60	21.50	.5375	23.50	.5875	24	.60	24	.60	26	.65
Mimeograph operator (I)	----	----	21.50	.5375	----	----	24	.60	24	.60	----	----
Keypunch I	----	----	23.50	.5875	----	----	24	.60	24	.60	----	----
Typist II	24	.60	23.50	.5875	23.50	.5875	25	.625	25	.625	----	----
Bookkeeping machine (I)	24	.60	20.50	.5125	22.50	.5625	25	.625	25	.625	23	.575
Calculating and comptometer operator (I)	22	.55	20.50	.5125	22.50	.5625	25	.625	25	.625	24	.60
Tabulating-machine operator (I)	----	----	----	----	----	----	25	.625	25	.625	----	----

TABLE VIII.—*NWLB going rates for clerical workers in selected areas*—Con.

	Grand Rapids		Nonmanufacturing, Chicago		Indianapolis		New York City		Buffalo		Cleveland	
	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour	Single	Per hour
Receptionist	$24	$0.60	$21.50	$0.5375	$23.50	$0.5875	$25	$0.625	$25	$0.625	------	------
Billing-machine operator (I)	------	------	23.50	.5875	23.50	.5875	25	.625	25	.625	------	------
Addressograph (I)	------	------	------	------	------	------	24	.60	24	.60	------	------
File clerk (II)	24	.60	25.00	.625	23.50	.5875	------	------	------	------	------	------
Pay-roll clerk (I)	------	------	25.00	.625	25.00	.625	------	------	------	------	------	------
Dictating machine (II)	------	------	------	------	25.00	.625	------	------	------	------	------	------
Accounting clerk (I)	------	------	------	------	25.00	.625	------	------	------	------	------	------
Statistical typist	------	------	25.00	.625	25.00	.625	------	------	------	------	------	------
Calculating and comptometer operator (II)	24	.60	25.00	.625	25.00	.625	------	------	------	------	------	------
Telephone operator (II)	------	------	23.50	.5875	23.50	.5875	------	------	------	------	------	------
Mimeograph operator (II)	------	------	21.50	.5375	------	------	------	------	------	------	------	------
Billing clerk (II)	24	.60	------	------	------	------	------	------	------	------	------	------
Bookkeeping machine (II)	------	------	25.00	.625	25.00	.625	------	------	------	------	------	------
Order clerk (I)	26	.65	21.50	.5375	22.50	.5625	------	------	------	------	------	------
General clerk (I)	22	.55	------	------	------	------	------	------	------	------	------	------

It is, therefore, particularly vital to the white-collar workers that the amendments empowering industry committees to raise the minimum in particular industries from 65 cents up to 75 cents earlier than 1947 be enacted. In the administration of this provision, industry committees for the predominantly white-collar fields must be appointed to study the white-collar salary situation and to recommend the immediate adoption of minimums higher than 65 cents in these industries.

MINIMUM RATES FOR KEY OCCUPATIONS

It is also of vital significance to white-collar workers that the proposed amendment to empower the industry committees to establish minimum rates for key occupations higher than the general minimums in the act be enacted. Because the white-collar workers are as yet largely unorganized, they must look to national wage policies of the Government and legislative aid in the elimination of both their substandard salaries and salaries above substandard levels which are inadequate for the work performed.

The salaries listed in the preceding tables show the glaring inequities which prevail among salaried employees. For example, for billing-machine operators covered by the National Industrial Conference Board study, salary ranges from $15 to $57 (table VI). It is unreasonable that such a wide range can be based on individual merit. Even a beginning billing-machine operator requires certain minimum training and ability. Nor can there be any reasonable explanation for the wide disparity between the mode of $27 and the maximum of $57. The only explanation for this or for the equally wide and illogical ranges shown in other tables is the chaotic situation which prevails in setting white-collar salaries where they are not achieved through collective bargaining.

The Congress of the United States can make a substantial contribution toward eliminating the chaos which characterizes the white-collar salary structure by giving power to industry committees to set minimum rates in excess of the general minimums for key white-collar occupations.

FLUCTUATING WORKWEEK

The salaried employees, particularly in the banking and brokerage fields, have been victims of a grave inequity in the administration of the Fair Labor Standards Act. Under Interpretative Bulletin No. 4 there is created a fluctuating workweek for salaried workers under which overtime need not be paid on the basis of time and a half for all hours in excess of 40 per week. Instead, there has been contrived a formula under which the hourly rate of pay fluctuates in accordance with the number of hours worked each week, and overtime can be compensated for at what amounts to one-half of the fluctuating hourly rate.

This monstrous formula can only be understood by illustrating how it works out in practice. Let us take a case of a bank employee earning $40 per week. (This figure is taken not because it is typical of bank salaries but because it is simpler for the complicated mathematics which follow.)

If during 1 week this employee works exactly 40 hours, he gets paid $40, and his hourly rate is $1 per hour.

If he works 50 hours per week, his 50 hours are then divided into $40, giving him an hourly rate of 80 cents. For the 10 hours in excess of 40 hours he gets paid not time and a half but half time, or 40 cents per hour.

If he works 60 hours, his hourly rate drops to 66⅔ cents per hour, and he gets paid for overtime at the rate of 33⅓ cents per hour.

Other workers, including many other salaried employees who earn $40 per week or $1 per hour, would receive overtime pay at the rate of $1.50 per hour regardless of the number of hours worked.

Since this situation results from an administrative interpretation, it can be corrected by the Wage and Hour Administrator without the need for legislative action. However, an expression of opinion on the part of the members of this committee would be very helpful in bringing about such a change.

This interpretation is so unfair and discriminatory that many banks and brokerage houses voluntarily abandoned the formula during the war and have been paying their employees time and a half for all time over 40 hours. Many others did so as a result of the protests of their employees. However, the interpretation exists as a legal formula, and the practice is still followed in many establishments. There is nothing to prevent those firms which have abandoned the "fluctuating" workweek from returning to this formula, now that wartime labor shortages are disappearing.

A SALARY POLICY FOR THE POSTWAR

We have asserted that the 65-cent minimum and even the subsequent 75-cent hourly minimum proposed in these amendments will be insufficient to assure adequate living standards for salaried employees. We support the amendments to the Fair Labor Standards Act because we feel that they represent the steps in the right direction of eliminating the most seriously substandard salaries and because we believe that this action on the part of Congress will encourage further improvements through collective bargaining and through, in some instances, voluntary action on the part of employers.

The United Office and Professional Workers of America asserts that establishment of proper standards for the white-collar workers require more thoroughgoing revision on our entire national salary structure along the following lines:

1. General salary increases so that the over-all total of increases since 1941 is at least 50 percent.
2. Reduction in the workweek to 35 hours.
3. A minimum base salary of $30 a week for a 35-hour week for clerical workers.
4. Classification systems with salary rates based on a fair evaluation of jobs, taking into account special features of white-collar employment; and providing for a fair system of promotions and merit and automatic increases.
5. Provisions for job security, including adequate severance pay and protection against unwarranted dismissal and casual lay-off.
6. Provision of adequate paid vacations, sick leave, and insurance benefits.

The United Office and Professional Workers of America proposes to achieve these objectives for its members through collective bargaining. We propose to bring the benefits of our existing contracts, together with these additional provisions, to as many of the salaried employees as we can influence to join our organization.

However, we recognize that the organized white-collar workers who enjoy the advantages of collective bargaining comprise a small proportion of the total number of workers in these fields. The vast unorganized group of salaried employees must look to Congress for aid in the solution of their salary problems. The enactment of these proposed amendments to the Fair Labor Standards Act will help to eliminate some of the most serious inequities from which white-collar workers have suffered since the post-1929 depression.

These amendments will result in raising purchasing power among those sections of the population whose living standards most urgently need improvement. This increased purchasing power is essential if our industries are to maintain during peace the levels of production achieved during the war. The increased

income will be put to most rapid use if it is placed in the hands of those American workers who need it most. It will be quickly spent for the additional food and clothing, for improved shelter, health care, and other vital needs, of which the lowest-paid groups of white-collar workers, as well as other workers, have been so long deprived.

EXHIBIT 60

STATEMENT OF HARTMAN BARBER, LEGISLATIVE REPRESENTATIVE, BROTHERHOOD OF RAILWAY AND STEAMSHIP CLERKS, FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYEES, TO THE SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR OF THE UNITED STATES SENATE, IN REFERENCE TO BILL S. 1349, AMENDING THE FAIR LABOR STANDARDS ACT OF 1938

Mr. Chairman and members of the committee, this statement is intended to supplement the testimony of Mr. L. E. Keller, research director of the Brotherhood of Maintenance of Way Employees, and Mr. A. E. Lyon, executive secretary of the Railway Labor Executives' Association, who appeared before your committee on Tuesday, October 23, in support of the pending bill, S. 1349, to amend the Fair Labor Standards Act of 1938. Our organization, the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, concurs in the testimony presented by Messrs. Keller and Lyon and supports the amendments to the bill offered by Mr. Lyon recommending the deletion of that part of the bill designed to adjust rates of pay above the minimum rates and the amending of subsection (m) of the present act by the insertion of the words "and employees of common carriers engaged in the preparation and service of foods and beverages" following the word "vessel." The effect of this amendment would be to prevent railroad companies from deducting the cost of meals and lodging out of the pay of dining-car employees while en route or laying over at points away from home terminals.

You have before you the very able and detailed presentations of Messrs. Lyon and Keller covering the various features of the bill and more particularly the justification of the increase in the minimum rates of pay to 65 cents and progressively within a 2-year period to 70 and 75 cents. At this time I would like to place our brotherhood on record as in favor of the proposed increase in minimum rates; however, we do not desire to have wage rates, except the minimum rates fixed by Congress. We believe that wage rates above the minimum can best be established through the process of collective bargaining.

Your attention is now directed to some facts covering the low-rated employees represented by this brotherhood, which represents approximately a membership of 300,000, composed of clerks, freight handlers, express and station employees, on the class I railroads of this country, as well as those employed by switching and terminal companies. The minimum rate of pay applying to one craft and class of employees is 57 cents per hour and is generally paid in the southeast and southwest areas to freight, baggage, mail, and material handlers, janitors, and porters. In all sections this rate prevails for elevator operations, messengers, and office boys and other nonclerical office workers, such as assorters and duplicating and binder operators. There are approximately seven to ten thousand employees now receiving this minimum rate of 57 cents per hour. There are probably ten to fifteen thousand employees in one class of service who get a minimum of 65 cents per hour. Our national straight-time average hourly compensation is 72 cents per hour for freight handlers and 70 cents per hour for common laborers in the stores, departments, stations, warehouses, and grain elevators.

An increase in minimum rates to 65 cents per hour and to 75 cents within a 2-year period will not be very costly to the railroads. The witness for the railroads, Dr. Parmalee, told your committee that the increase in the minimum rate from 57 to 65 cents would involve an increased expenditure by the carriers of $34,000,000 per year; that an increase to 70 cents would cost $75,000,000; and the 75 cent minimum, an increase in the pay rolls of $127,000,000. Dr. Parmalee also stated that the 65-cent minimum would cover 255,000 railroad employees, the 70-cent minimum, 426,000; and the 75-cent minimum, 475,000. He did not tell you, however, that the pay rolls of Class I railroads amounted to $3,883,245,000 in the year 1944 and that the increase in the minimum rates would only amount to an increase of less than 1 percent in the yearly pay rolls at the 65-cent level, less than 2 percent at the 70-cent level, and slightly more than 3 percent at the 75-cent minimum.

The representative of the railroads told this committee that railroad employees in train and engine service and in the railroad shops throughout the country were paid on a uniform national basis. It was also indicated there were regional differences in the wage levels of some classes of employees represented by this brotherhood and the maintenance-of-way employees. While it is conceded that the rates of pay of train and engine-service employees and shopmen have evolved to their present levels through collective bargaining, yet we are firmly of the opinion that higher statutory minimum rates would be very helpful in negotiating higher rates of pay for these low-wage groups. By having these increased minimum rates, the process of negotiating higher rates of pay with the carriers for these low-rated employees would be facilitated and brought more in line with higher-rated regions, and eventually a higher national average could be effectuated.

We do not believe that an increase in minimum rates would be inflationary. Since VJ-day a marked rise has occurred in unemployment. With the elimination of overtime pay, take-home wages have been considerably reduced. It has been estimated that if corrective measures are not taken to sustain employment and purchasing power that pay rolls in 1946 will decline to the extent of $20,000,000,000 compared with 1945. If our whole economy is to be spared a tailspin into depression, then wage rates must be increased to offset this tremendous loss, and it is equally essential that with higher rates of pay that minimum rates should also be increased. The wage floor should be set at a higher level.

A minimum wage of 65 cents per hour on the basis of 2,000 hours per year amounts to $1,300; of 70 cents, $1,400; and of 75 cents, $1,500. None of these yearly incomes are sufficient to sustain a worker and his family at a minimum of health and decency. Surely a rate of pay that does not reach this minimum of living cannot be termed "inflationary." We are of the opinion that the minimum rates fixed in the bill are not high enough; but we, too, are of the opinion these these minimum rates are an advance in standards which are worthy of our support.

A lot has been said about America out-producing the world. How many people realize that we also have out-hauled the world? The railroad employees of the United States, with a reduced personnel far below the year 1918, with a half a million fewer cars and locomotives, moved over twice as much freight during World War II than they did in World War I. These low-wage groups of railroad employees represented by this brotherhood and other railway labor organizations worked faithfully and aided in achieving this remarkable performance of human stamina and determination to carry our country to ultimate victory. They now ask your help. As one of the organizations representing these employees, the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, urges that the subcommittee favorably consider and report this bill with the changes concurred in by this organization. It is hoped that this action will be taken promptly.

EXHIBIT 61

STATEMENT OF DAVID J. MCDONALD, SECRETARY-TREASURER, UNITED STEELWORKERS OF AMERICA, BEFORE THE SUBCOMMITTEE ON EDUCATION AND LABOR, ON BILL S. 1349, AMENDMENTS TO THE FAIR LABOR STANDARDS ACT

It is common knowledge that the steel industry has a 78-cent common labor rate. Yet, within the steel industry and the fabricating plants and aluminum plants under the jurisdiction of the United Steelworkers of America there are 263 plants, employing 108,000 workers, in which the base rates are below 65 cents an hour.

That is one reason, gentlemen, for my being here. The employers we deal with cannot plead poverty except for a few scattered instances. It is high time that sweatshop wage scales be eliminated from American industry. There is no excuse for poverty among employed workers in this Nation. Our great productive capacity and efficiency make substandard wage scales entirely intolerable.

We of the United Steelworkers of America are hopeful that your committee will agree with us and vote approval of S. 1349, establishing a 65-cent minimum wage now and an eventual 75-cent rate.

The excuse cannot be made that the substandard problem is regional. Less than half the members of our union working in substandard-wage plants are

found in the South, and only 38 percent of these plants are located in the South. The problem of substandard wages—even in the steel industry—goes beyond regional considerations. It is a challenge to the entire Nation.

Perhaps the members of this committee would like to learn some of the more important details of steel industry substandard wages.

The extensive operations of the Tennessee Coal, Iron & Railroad Co. in the Birmingham area in Alabama constitute the single most profitable operation of the United States Steel Corp. These works, involving a network of plants employing 16,000 people, have a base rate of 60½ cents an hour. This rate is not only paid to labor but many semiskilled and skilled workers have a 60½-cent guaranteed rate.

These operations are the most profitable in the entire steel industry. Even if the labor rates were equal to those in the North, the production costs would still be the lowest in the country. These plants enjoy every advantage, including the most complete integration in the Nation: Ore, fuel, and transportation are all ideally located, and productivity is very high.

Yet, at this very moment the United Steelworkers of America is struggling against company opposition to raise the substandard rates in that plant—and so far we have not been successful.

In the same general area, we find a large Republic Steel Corp. plant—some 60 miles away. This plant employs 3,300 people and also has a base rate of 60½ cents an hour.

A large number of fabricating plants in the area have base rates ranging from 50 cents an hour to 60½ cents.

The large Aluminum Co. refining plant in Mobile, Ala., has a base rate of 63 cents an hour, even though it is modern, highly efficient and ideally located from the point of view of transportation.

In the Memphis, Tenn., area more than a thousand of our members are employed in plants whose base rate is less than 65 cents.

More than 1,400 of our members are employed in below 65-cent plants in the Lynchburg, Va., area. Some 1,200 are found in the Chattanooga area. We have 3,500 in substandard wage plants in the Atlanta district.

Some of the employees of the Aluminum Co., of America in Alcoa, Tenn., the largest, most profitable aluminum plant in the world, are paid less than 65 cents an hour.

All the extensive aluminum operations in the State of Arkansas—from mining to final ingot production—are in plants and mines whose base rate is 60 cents an hour.

The big Hughes Tool Co. operations in Houston, Tex., operate on a wage scale with a 60-cent base rate. Some 4,000 people are employed there.

Including these 4,000, more than 16,500 of our members in Texas are employed in plants whose base rate is less than 65 cents.

We have thousands of members in Cincinnati employed in substandard plants. In fact, the War Labor Board sound and tested rate for this city is 55 to 60 cents.

In the Pittsburgh area, the Baltimore area, the Philadelphia area, in small communities scattered throughout the Northeast and Midwest, we represent workers in plants with less than 65-cent base rates.

Thousands of our female members are subjected to base rates below 65 cents, even in higher wage plants where only a male laborer enjoys the higher rate.

Thus, it is plain that we have a real interest in the proposed amendments to the Fair Labor Standards Act, since we have members who will gain directly from its passage. And such increases as would raise the labor rate would inevitably cause some adjustment of the other rates since the retention of a balanced and rational wage structure is essential to efficient plant operation.

I am aware of the argument against this bill. Americans no longer openly assert that a wage under 65 cents an hour is adequate; instead pleas of inability to pay are made and those who can pay claim they don't want to disrupt the companies which cannot.

We of the steelworkers' union are very familiar with this type of talk. We have been listening to it for many years. After all, gentlemen, the 78-cent rate in our industry is quite new. As recently as 1933, the basic rate in the steel industry was 33 cents an hour. In 1937, the first general raise negotiated by the union brought the base rate from 52½ cents to 62½ cents. And, as I have pointed, the mightiest steel and aluminum corporations still pay substandard wages in some of their plants.

Frankly, we are not impressed by the line of objection to eliminating substandard wages. I, for one, refuse to believe that American industry is unable to pay a worker a living wage. Virtually every major improvement for the

workers in the steel industry was opposed at first with the dire warning that it would not be practical, that it would jeopardize the very existence of the industry.

The improvements have been made, are being made. More will be made. As every one knows, the steel industry has not collapsed. In fact, the steel industry has just completed some 5 years of war production with a $2,000,000,000 profit after payment of all taxes. That hardly sounds like collapse—or even anemia.

Our industrialists will survive a 65- and 75-cent minimum hourly rate. You can add to it the annual wage plan proposed by the United Steelworkers of America. Industry will still survive and prosper. We have only begun to explore potential productivity and efficiency. The future will bring remarkable strides, specifically as the know-how and the new devices associated with war research and production are incorporated into the operating methods of peacetime industry. In fact, the pressure which a 65-cent minimum wage will bring to bear on industry will benefit everyone in the long-run.

One of the great sources of technological advance is the pressure of labor for higher wages just as the pressure of competition for the consumer's dollar leads to technological improvement. When an employer must pay a higher wage, he finds a way to produce at a profit. He cuts out waste; he improves his equipment and his operations; he finds new markets; he may go into new lines of production. He finds a way and the very pressures which impel him to seek such devices are at the very heart of our greatness and power as an industrial Nation.

Bearing this in mind, it becomes unthinkable that America should fail to forge ahead and establish a 65-cent and then a 75-cent minimum hourly wage rate. Other witnesses have dealt in detail with the pressing needs of low-paid workers. We know from the experience of our own members that the need exists. A 65-cent wage netting $26 a week is no great boon to the worker. It is not a high wage. It is a low wage—a very low wage. Even the 75-cent rate, bringing the worker $30 for a full week's work, is not a sufficient basis for an adequate American standard of living. But it is better than the 40- and 50-cent rates now being paid by many employers.

The steelworkers of the North are comparatively well paid, and so it is especially revealing to examine some facts about these better-paid workers. By doing so we can more fully appreciate the plight of the substandard worker.

Our research department recently conducted a study of living conditions in Braddock, Pa. This study has been commended by some of the Nation's leading statistical experts—in and out of Government. It reveals that the average Braddock steelworker earned $50.85 a week (since reduced by virtue of the elimination of the 48-hour week).

However, his average expenditure is $57.01 a week, plus deductions for taxes which average $4.93. Thus it can be seen that this relatively prosperous steelworker can't make ends meet, even though his average wage is considerably higher than that of millions of his fellow men.

As you can see from an examination of this study, a copy of which you have before you, this average Braddock steelworker does not live a luxurious life. He is barely able to exist at all and surely does not have money enough to provide proper medical care or proper education for his family.

When I think of these steelworkers—many of whom I have known intimately for years—and then speculate as to the daily economic problems of the worker who earns $20 and $25 and $30 a week—and, of course, many earn even less—then I cannot believe that the Congress of the United States will fail to see its duty to establish the bare minimum subsistence wage of 65 cents an hour.

Congress could tell the impoverished group that it cannot do anything. It could say, in effect—"Your country cannot assure the worker of 65 cents an hour when he works. We can lick the might of the Nazis and the Japs. We can train and equip more than 10,000,000 fighting Americans. We can send men to death for the common good. We can produce without stint for military purposes. But we cannot pass a law to establish a bare living wage for workers. Workers can be drafted but industry cannot be drafted to the extent of giving the employer the alternative of 65 cents or going out of business."

That's one story—and I dare say such a story would reduce the faith of Americans in our whole way of life. Poverty is not the soil for good citizenship.

Or Congress could say to those employers who still pay substandard wages: "Your minimum wage will now be 65 cents an hour. You can work out the ways and means to conduct your business accordingly. You make an income

as an employer because you know how to handle problems of price, wage, competition, and the like. Here is a problem for you, the solution of which will help substantially to eliminate poverty. And the prosperity engendered for workers should benefit you as a businessman."

Here is a story which Congress can tell unashamedly. It is a challenge to business.

In addition to the need and rights of the low-paid substandard worker, we should consider the broad needs of the whole Nation, the whole community, and the whole labor force. I am certain that this proposed legislation will operate to the common advantage.

First of all, the Nation's economy needs a high wage policy to assure purchasing power sufficient to achieve and maintain a high level of employment and a large volume of production and trade. Our productive capacity will lay idle and rust if a steady demand for products is not maintained. A high demand will keep production going and provide the confidence necessary for a full flow of investment in productive enterprise.

It is wage policy which determines the market. Workers earning good wages are good consumers. Workers who earn $15 and $20 a week are very poor consumers. If wages are not high enough and enough workers are not good consumers, the whole economy is endangered. Goods pile up, trade lives on glutted inventories; orders bog down; investors become frightened; plants lay off workers and trade suffers more, fear spreads, and another depression is suddenly upon us.

We view the 65-cent minimum wage as one part of a wage policy designed to prevent another depression. A general wage increase and an annual wage guaranty are other essential parts of a wage policy designed to encourage full employment and full production. Congress can make an enormous contribution by boosting the minimum wage to 65 cents.

Second of all, our communities need this proposed law. The farmer sells his product to the worker. The merchant deals with the worker. The community prospers when labor prospers and becomes impoverished when labor is impoverished. The worker who earns $15 or $20 a week is not helping the community much: in fact, the likelihood is that the community is helping him because he cannot maintain his family in good health and educate his children without various forms of direct and indirect aid from his neighbors. He is not a particularly good consumer.

I have recently seen several steel communities which used to suffer from the effects of low wages and unemployment. During the past several years these communities have prospered. Now they have been hit by economic adversity again. The full brunt has not yet been felt, but I have seen the fear in the eyes of the townsmen; I have heard the fear in their voices as they wonder whether they can risk repairing their stores and shops. I have seen their hesitancy when considering whether to construct a new home.

This kind of atmosphere is bad for postwar America.

A high wage policy will be a means of increasing confidence and thereby stimulating business activity in the towns and cities, in the grass roots where the people of this Nation live and work.

Finally, this bill calling for a 65-cent minimum wage will encourage a high wage policy for all American industry. True, steelworkers generally earn more than 65 cents or 75 cents an hour. But when the 65-cent minimum is established, the effect on steel and other heavy industries will be inevitable. The same type of consideration which leads to higher wages now in heavy industry than in light and marginal industries will still be felt. Industry is impelled—by union demands, if nothing else—to compensate workers whose required effort and skill and whose working conditions justify rates substantially above the prevailing minimum levels.

If the minimum goes up, the whole wage structure is subject to revision—not only in a plant but in an entire area. In fact, even those workers who are not covered by the Fair Labor Standards Act, either at present or as proposed, would gain by the pressures set in motion by such a congressional enactment.

The proposed 65-cent minimum wage is not perfect. It is one part of an evolutionary process leading to adequate wages for all workers. We already have a 50-cent minimum in some industries and a higher minimum in basic steel except for the South. These figures have already been established by the industry arrangements under the Fair Labor Standards Act.

The War Labor Board has operated under the assumption that 55 cents is the base below which rates are substandard. To go on from there and take

advantage of the great progressive forces which can be loosed as a result of the end of war production, we must take the next step—a 65-cent minimum. The gradual increase to 75 cents is consistent with an assumption that we not only must face forward toward an expanding economy but are fully able to march forward in the coming years to new high standards of living for the American people.

We would be an incongruous people indeed if, in the light of our show of power and genius in producing and fighting for war purposes, we now collapse when faced with the great constructive task of providing economic happiness for our own people.

The conduct of the war has proved that no task, no matter how gigantic or complex, is to great for this Nation's capacity and ingenuity. The nation which unleashed atomic energy can surely harness its great industries and its far-flung agriculture to the needs of its people.

The United Steelworkers of America proposes that America take advantage of the opportunities that present themselves. We have the greatest industrial capacity the world has ever known. We can produce more goods than any people has ever enjoyed. Life can be richer, more healthful and more truly civilized than at any past period in history.

But, none of these objectives can be realized if there is poverty. Today, at this very minute, there is a substantial portion of the people of America who are suffering the direct and indirect effects of poverty.

The proposal for a Federal legal minimum wage rate of 65 cents an hour—eventually to be raised to 75 cents—is a step toward eliminating poverty. Its adoption and enforcement would exhibit a degree of faith in the Nation's ability to go forward and thus give increased courage to the American people.

The United Steelworkers of America, in view of these considerations, urges this committee to approve S. 1349 promptly. We urge the Senate to pass this bill. We hope the House will follow suit. We are confident that the President of the United States approves and will sign such legislation.

EXHIBIT 62

STATEMENT OF GEORGE E. BROWN, VICE PRESIDENT, HOTEL AND RESTAURANT EMPLOYEES' INTERNATIONAL ALLIANCE AND BARTENDERS' INTERNATIONAL LEAGUE OF AMERICA, A. F. OF L.

The purpose of the Fair Labor Standards Act, as announced by Congress in the act of 1938, is "to correct as rapidly as practicable" conditions in interstate commerce which undermine the "maintenance of minimum standards of living necessary for health, efficiency, and general well-being of workers." Experience since 1938 has demonstrated that the enactment of the Fair Labor Standards Act has in some measure achieved this purpose. However, because of the ambiguity of section 3, subsection (m) of the present law, substantially all dining-car service dishwashers or fourth cooks, and waiters, in the employ of common carriers by railroad have been deprived of the benefits of the law. This group of workers are the lowest paid in the entire railroad industry. A review of current wage schedules shows that as late as the month of June 1945 the average straight-time hourly rate of pay received by these workers was only 55 cents per hour, while the straight-time minimum hourly rate of pay, now prevailing in the railroad-carrier industry for all other classes of workers is 57 cents per hour. These figures, taken from the wage statistics of the Interstate Commerce Commission, form M-300, however, do not tell a true story as to actual wages paid to dining-car cooks and waiters. Under practice, long established, the carriers, when reporting to the Commission, group these dining-service workers with other classes of railroad workers who receive much higher rates of pay, thereby increasing, as far as the dining-car-service workers are concerned, the average straight-time hourly rates.

From the wage schedules of the contracts of employment between our international union and the carriers it is possible to get a true picture of the straight-time hourly wage paid to these workers. These rates range from 48 cents per hour for waiters in service under 5 years and over. Dishwashers are presently paid an hourly rate which ranges from 57 cents to slightly over 60 cents per hour on the larger roads.

On October 24, 1938, when the minimum wage under the provisions of the act became 25 cents per hour, the straight-time hourly rate paid to dining-car

waiters was approximately 27 cents per hour for waiters in service under 5 years, and approximately 32 cents per hour for those in service 5 years and over. Dishwashers, or fourth cooks, as they are commonly termed, were then being paid approximately 36 cents per hour. On certain carriers apprentice waiters or bus boys were paid only 20 cents per hour. It was apparent that this group of railroad workers were among those the Congress intended that the Fair Labor Standards Act should benefit. However, this was not to be the case, for the carriers immediately charged off the difference between the hourly rates in effect on the effective date of the act and the minimum established thereunder, as the cost to them of furnishing the employees with meals and lodgings.

A year later, when the minimum-hourly wage under the act was increased to 30 cents, the cost of meals and lodging was proportionately increased by the carriers; and, effective March 1, 1941, through the efforts of an industry committee and a wage order of the Administration, the minimum under the act was increased to 36 cents. The carriers again increased the cost to the employees of their meals and lodgings so that no employee received any benefits whatsoever from the operation of the act.

At this time it may be pertinent to point out that chefs, dining-car stewards, and other classes of employees whose rates of pay per hour were in excess of the legal minimum established by the act were not charged by the carriers for their meals and their lodgings—only those low-paid workers who could ill afford to pay were so charged.

Meals and lodging to dining-car-service employees are not meals and lodgings in the same sense as the facilities furnished to lumber-camp workers or workers employed under similar conditions. The board and lodgings furnished dining car service employees by the carriers is primarily for the benefit and convenience of the carrier. Such employees are provided with meals by the carriers in order that there may be a continuous operation of the service, thus eliminating the necessity of stopping passenger trains en route to permit passengers and employees alike to eat. In the same manner the carriers furnish these employees with lodgings, and insist upon the employee sleeping at the lodginghouse designated, because, in cases of emergencies or any sudden increase in the volume of passenger traffic, dining-car crews will be available for call. Further, all dining car service employees have homes, and the fact that he is away from home on the business of the carrier for whom he works, does not eliminate the continuing cost of maintaining his home and supplying food for his family.

The Hotel and Restaurant Employees' International Alliance and Bartenders' International League of America, A. F. of L., which organization represents dining car service employees on substantially all of the class I railways of the country, requests that subsection (m) section 3 of the proposed bill, S. 1349, be amended by inserting in line 23, page 2 of the bill immediately following the word "vessel" the following: "and employees of common carriers engaged in the preparation and service of food and beverages * * *" thus amending said section to read:

"(m). 'Wage' paid to any employee, except members of the crew of a vessel, and employees of common carriers engaged in the preparation and service of food and beverages, includes the reasonable cost, as determined by the Administrator to the employer of furnishing such employee with board, lodging, or other facilities, if such board, lodging, or other facilities are customarily furnished by such employer to his employees."

Such an amendment will, for the first time, extend the minimum wage provisions of the Fair Labor Standards Act to dining car employees.

EXHIBIT 63

STATEMENT OF RICHARD E. SMITH, SECRETARY-TREASURER, JOINT COUNCIL DINING CAR EMPLOYEES, RAILROAD DEPARTMENT, HOTEL AND RESTAURANT EMPLOYEES' INTERNATIONAL ALLIANCE AND BARTENDERS' INTERNATIONAL LEAGUE OF AMERICA, A. F. OF L.

The amendment proposed by our international union has the unanimous support of all the standard railway labor organizations comprising the Railway Labor Executive Association, all of whom are familiar with the circumstances attending our case.

It is generally believed, that because a dining car waiter receives, or is in a position to receive, gratuities that the income of the whole group of such workers is thereby increased to a level commensurate with an American standard of living. A study however, of the whole question of "tips" and their relation to dining-car wages will disprove this theory.

Dishwashers, or fourth cooks, do not receive tips. They are dependent entirely upon their meager wages for the maintenance of home and family. During the entire period of the war the cook struggled for an existence on a straight-time hourly rate ranging from 57 to 61 cents per hour. Overtime hours were paid for at straight-time rates, and it was not until the summer of 1945 that overtime, at the rate of time and one-half, after 240 hours work in a calendar month, was allowed. Even now, these employees must work an average of 30 8-hour days per month before earning overtime pay.

Like the rest of dining-car-service employees, the dishwasher generally lives in large metropolitan communities, such as New York, Baltimore, Chicago, St. Louis, and Los Angeles. During the war restaurant workers in war plants in such cities were paid approximately 20 cents per hour more than the railroad dishwasher. Even hotels and restaurants in these cities paid higher wages and offered more attractive employment than did the railroads. In all cases these workers received the full benefit of the wages and were not charged by their employers for their meals. The dining-car waiter, although in position to receive tips, is in no better circumstances. In the first place a tip is an unknown and uncontrollable factor. A substantial part of the volume of business in railroad dining cars since 1940 has consisted of military personnel. In many instances the service rendered is upon Government order which does not require or involve the exchange of money. In such cases the waiter does not receive, nor does he expect to receive, any gratuity whatsoever. In this respect the dining-car waiter has received the commendation of Colonel Johnson, Director of the Office of Defense Transportation, for faithful and patriotic service during these trying times.

Further, many thousand of dining-car-service employees do not receive weekly or monthly guaranteed wages, but are paid for only the actual hours worked. These are commonly termed extra or spare board employees. Often such employees are compelled to lay over at away from home terminals for a period ranging from several hours to 2½ days. Under such circumstances the employee is on his own resource and must supply his own meals or go hungry. It is only while on duty or while dead heading in the interest of the carrier that meals are furnished by the employer. Under these circumstances it will be seen that any tips received by a waiter working as an extra board employee will be largely absorbed in away from home expenses.

There is still another expense that must be met by all waiters. This is a continuing one. It includes the cost of providing himself with uniforms, and for his laundry. His uniform trousers are not the kind and type suitable for ordinary street wear, nor are the shirts and collars worn while on duty the kind and type ordinarily worn while off the job. The expenses incurred in the upkeep and replacement of such uniforms, which are borne entirely by the waiter, further depresses the total income, and to a large extent absorbs the gratuity. This means that the dining car waiter must live and support his family from his actual wages, for he can little depend upon the unknown and uncontrollable tip.

The National Railroad Adjustment Board on at least six occasions has held that the charge for meals and lodgings made by the carriers was in violation of the existing collective bargaining agreements. In only two cases however, have the railroads paid any attention to the awards of the Board, and except for these and one other railroad, the Fair Labor Standards Act has not benefitted dining-car-service employees at all. It is urgently requested that the Congress give favorable consideration to this proposed amendment.

In conclusion, may we point out that the proposed bill, S 1349, is already amended to relieve crews of a vessel of a similar condition. The dining car employee and the crew of a vessel are in comparable circumstances. To amend the law to assist one and not the other would be repugnant to the principles of the act. We do not believe that this was or is the intent of the Congress.

EXHIBIT 64

STATEMENT BY HENRY G. STEINBRENNER, LEGISLATIVE REPRESENTATIVE, COMMERCIAL TELEGRAPHERS' UNION, AMERICAN FEDERATION OF LABOR, WESTERN UNION DIVISION

Mr. Chairman and gentlemen, I appear here on behalf of the Commercial Telegraphers' Union, an affiliate of the American Federation of Labor. Our organization represents the great majority of commercial telegraph workers, including the majority of the employees of the merged Western Union Telegraph Co.

During the hearings of the Senate Subcommittee on Wartime Health and Education, our organization appeared before that committee on November 18, 1944, and presented a statement in which we cited many reasons for wholeheartedly supporting a 65-cent minimum wage proposal and for the same reasons, we are in complete accord with the desirable purposes of Senate bill 1349.

What we said at that time in respect to the substandard wage rates paid the merged communication workers in Western Union is as true today as it was then notwithstanding the fact that 2 years have elapsed since the consummation of the telegraph merger—a merger which created a virtual monopoly and which ostensibly would better the working conditions of the employees of the merged companies.

I have noted with considerable surprise that this large group of skilled workers have not been included in the general group whose wage rates have heretofore been referred to publicly as substandard. I think I am correct in saying that perhaps no other group of skilled workers, engaged in a vital war and peacetime industry, have been required to maintain a sustained productivity over such a long period of time, and under such disturbing conditions; a major war, a seriously disturbing merger, and a national representation case, all occurring at the same time, with wage rates generally below the 65-cent-per-hour rate.

Who are these communications workers?

What is required of them in the performance of their duties?

What are the wage rates paid these skilled workers as they perform their public duties?

For the answer to the first question, I invite your attention to pages 29 to 54 (Study of the Telegraph Industry) United States Senate, Subcommittee on Interstate Commerce, hearings of May 19, 1941. I refer especially to that testimony stating that over 75 percent of the employees in Western Union, then under appraisal, had been in the industry 10 years or more; 50 percent for 15 years or more, one-third for 20 years or more, and over 15 percent for 25 years or more.

While this clearly indicates the specialized nature of the industry, the low and ill-coordinated wage structure is causing an exodus from the industry—something which the merger was designed to prevent. In this connection, the Federal Communications Commission, in the matter of the Application for Merger of the Western Union and Postal Telegraphs said:

'One of the most acute problems in the telegraph industry today is the maintenance of an adequate and stable labor force. Many of the major ills of the industry are directly attributable to the shortage of skilled telegraph workers. Inadequacies in the labor force have been responsible for excessive overtime, increasing absenteeism, and decreased efficiency and productivity."

For the answer as to what is required of these workers, I turn to the characterization of its employees by the Western Union Telegraph Co. in a statement before the United States Circuit Court of Appeals for the Second Circuit, early in 1940, reading:

"From the very nature of their industry, the employees of Western Union are engaged in work requiring to an unusual extent, skill, independent judgment, and individual responsibility in meeting the duties they are called upon daily to perform. They are not segregated. They are in close contact with the main stream of our life—commercial and personal—and do a type of work like that performed by the skilled employees of railroads, with which they have been so close'y allied."

That they have, in fact, performed this skilled type of work, even under the most trying of conditions, and in doing so, have kept the communications system of the Nation functioning efficiency during the war period and thereafter, is a matter of record. In this connection, the president of the company himself, in

the Eighty-ninth Annual Report to the stockholders, by order of the board of directors, said:

"It is a tribute to the efficiency and cooperative spirit of Western Union people in all branches of the organization that, with a smaller force than a year ago, they have handled a larger volume of traffic and have improved the speed of service. The directors and officers of the company wish to express their sincere appreciation of the services rendered by the employees during another year of unusually difficult conditions."

No one knows better than the employees themselves how difficult—how tragically difficult—these conditions were, as they struggled against the ever-rising prices, and I hesitate to attempt to visualize the ill-health, the degredation and the hardships which inevitably must follow in the wake of wages which will not buy even the bare necessities of life and, in order that this committee may the better appraise the serious import of the situation in the industry, I turn now to the wage rates paid these skilled communications workers:

The rates I am about to quote, gentlemen, are Nation-wide rates. From the Atlantic to the Pacific, from the Gulf of Mexico to the Canadian border, the American Federation of Labor bargaining unit encompasses the entire Nation—including the home office in New York City—but excluding the metropolitan division of New York City which is represented by the ACA-CIO.

These rates do not include the rates paid messengers, students, or temporary employees. They do include the rates paid to 38,806 employees, included in the bargaining unit, as of April 1, 1945, and range as follows:

Hourly rate ranges:	*Employees*
40 cents per hour	676
Over 40 cents but less than 45 cents	1,586
45 cents per hour but less than 50 cents	4,130
50 cents per hour but less than 55 cents	5,308
55 cents per hour but less than 60 cents	4,538
60 cents per hour but less than 65 cents	3,994
65 cents per hours and over	18,574

20,232 employees, or approximately 52 percent of the total therefore, have wage rates below 65 cents per hour.

We have prepared two charts, showing the average hourly rates, State by State, in two classifications in which the majority of the employees are found, namely, automatic-operators and clerk-operators. These two classifications are in the traffic and the commercial departments, respectively, and comprise a total of some 15,000 employees in the area covered by the American Federation of Labor bargaining unit.

In respect to messengers, I wish to point out that, by contract, and under a directive of the National War Labor Board, motor-messengers are presently included and are participating in all the rights and benefits of the contracts covering other employees and the position of the American Federation of Labor with respect to walking and bicycle messengers is that they, too, are entitled to the benefits of the contracts and to be paid no less than the minimum wage rate. It must be remembered that many of the messengers today are breadwinners and not children. In common decency they are entitled to a living wage. Senator Wheeler in the merger hearings (P-45) when informed that the 1940 turn-over rate in Western Union for messengers was 159 percent said:

"How can you account for so tremendous a turn-over rate of 159 percent? I can understand how there would be considerable turn-over because the companies employ young men, who, when they reach a certain age, want to quit the messenger service probably, but I certainly cannot understand why there should be a turn-over of 159 percent in the messenger service unless there is something fundamentally wrong with this sphere of employment."

Since that time many messengers have been employed who are over 21 years of age. In fact, many are over 65 years of age. The delivery of a telegram is certainly as important as the delivery of almost any kind of document. If these employees left the employ of the telegraph company to enter into employment for another employer who was subject to the minimum wage, and the employees' duties for such an employer continued to be the delivery of letters or documents, etc., there would be absolutely no question about his right to receive the minimum, and they would not be considered apart from other employees with respect to such minimum wage.

It has been—and continues to be—the position of our organization to urge equality of treatment with respect to 100-percent tolls for handling of Government traffic now received only by the telephone carrier. This same treatment should be accorded the telegraph carriers and the Post Roads Act of 1866 should not forever be pointed to as a legitimate reason for denial of equality of treatment as between the two carriers.

Gentlemen, I appreciate the opportunity of appearing before this committee and I thank you for listening to this presentation in which we again implore that something be done to rectify the tragic wage situation illustrated. We feel that the 65-cent-per-hour minimum will be a right step and a long step in that direction and for that and many other reasons we voice our support of the Pepper bill, S. 1349. Thank you.

EXHIBIT A.—*Number of "included" employees in A. F. of L. bargaining unit according to selected hourly rate ranges (excluding messengers, students, and temporary employees)*

Hourly rate ranges:	*Number of "included" employees in A. F. of L. bargaining unit*
40 cents per hour:	
Active employees	627
Temporary absentees	49
Total	676
Less than 45 cents per hour:	
Active employees	1,430
Temporary absentees	156
Total	2,262
Less than 50 cents per hour:	
Active employees	3,789
Temporary absentees	341
Total	6,392
Less than 55 cents per hour:	
Active employees	4,906
Temporary absentees	402
Total	11,700
Less than 60 cents per hour:	
Active employees	4,138
Temporary absentees	400
Total	16,238
Less than 65 cents per hour:	
Active employees	3,657
Temporary absentees	337
Total	20,232
65 cents per hour and over:	
Active employees	17,443
Temporary absentees	1,131
Total	18,574
All ranges:	
Active employees	35,990
Temporary absentees	2,816
Total	38,806
Average straight-time hourly rate:	*Cents*
Active employees	69.99
Temporary absentees	64.23
Total	69.57

Source: The Western Union Telegraph Co.

EXHIBIT B.—*Average straight-time hourly wage, fourth district,[1] southern division, as of Oct. 1, 1945*

CLERK-OPERATORS

Total number of employees	Length of service	Straight-time average
8	0 to 1 year	$0.46
53	1 to 2 years	.46
80	2 to 3 years	.47
31	3 to 5 years	.49
18	5 to 10 years	.53
15	10 to 31 years	.59

MANAGERS

0	0 to 1 year	$0.55
1	1 to 2 years	.55
6	2 to 3 years	.55
19	3 to 5 years	.57
21	5 to 10 years	.63
53	10 to 42 years	.74

[1] This district embraces the 3 States of Kentucky, Tennessee, and Mississippi, except for the divisional cities of Louisville, Memphis, Knoxville, Chattanooga, and Nashville.

NOTE.—The above does not reflect the minimum hiring rate of $0.41 per hour, at which rate new employees are paid during the first 3 months of employment.

EXHIBIT 65

UNITED SHOE WORKERS OF AMERICA OF THE CIO,
Washington 5, D. C., October 11, 1945.

STATEMENT OF UNITED SHOE WORKERS OF AMERICA, CIO, ON S. 1349, BEFORE THE SENATE COMMITTEE ON EDUCATION AND LABOR

The United Shoe Workers of America, CIO, a national organization of shoe workers in 23 States of the United States, endorses Senate bill 1349 calling for the revision of the Fair Labor Standards Act, more commonly known as the wages-and-hours law, to a 65-cent minimum wage.

We regard this action as both timely and imperative, and we urge the passage of this bill as quickly as possible.

NATIONAL POLICY

Ever since the enactment of the Fair Labor Standards Act it has become the accepted policy of our Nation as sound economy to provide a guaranteed minimum hourly rate which is above substandard living levels. However, the amount provided in the wages-and-hours law in 1938, and subsequent additions derived through industry committees plus further additions derived through the War Labor Board, have become outdated and need to be revised.

This was first recognized when industry committees, provided for in the act, established minimums of 40 cents an hour in those industries covered by the act. However, since then the War Labor Board, and many leaders of industry, Government, and labor have found this rate obsolete, and the WLB since November 17, 1943, has considered any rate under 50 cents an hour as substandard. Still later, February 26, 1945, the War Labor Board revised its own figure and raised the minimum to 55 cents, declaring that this was only a tentative rate "in the development toward a higher level."

ELIMINATE DESTRUCTIVE COMPETITION

We believe that a sound wage floor will prevent destructive competition. Management should not compete at the expense of human blood and sweat.

Sound competition should not be based, as it has been for years in the shoe industry, on lower and lower wages. Minimum wage guarantees at an adequate level will compel management to compete on a basis of "who can run the most efficient plant" and "who can produce a good product" rather than "who can run the worst sweatshop."

The present act, and the bill calling for the amendments to this act, is, therefore, a progressive move toward the adoption of a rate which is adequate to sustain American workers. Our economy has continuously advanced and there is no excuse for wage rates that compel millions of Americans to live under substandard conditions.

We believe that passage of S. 1349 will provide millions of American workers with an opportunity to buy the products of American industry.

Raising the hourly wage of millions of Americans to 65 cents, thereby enabling them to become purchasers of products such as shoes, would undoubtedly go far in removing a curse of the shoe industry—seasonal production. This provides shoe workers with employment anywhere from 6 to 8 months of the year with part-time or total unemployment for the remainder of the year.

The American worker produced mountains of materials to help in the war against fascism.

The shoe workers have kept our armed forces and also those of our allies supplied with the multitudinous types of footwear used in all parts of the world during the war. He too has traded his work clothes for a uniform to fight fascism abroad.

And the shoe worker, like all other American workers, does not ask for great riches or luxuries—he merely asks for the opportunity to raise his children as decent American citizens in healthy surroundings, minus the constant fear of want and poverty. He would like to get better acquainted with the famous American standard of living he reads so much about in the press.

The passage of these amendments to the Fair Labor Standards Act is an important step which will help the American worker achieve these modest aims.

It will help free the industrial worker and the returning soldier from the fear of want and insecurity.

It will create new customers for the products of American industry, and the American consumer is the primary market for our products.

In the words of your subcommittee the 65-cent proposal is "a practical first step toward assuring the mass purchasing power which will be essential to the achievement of full employment in the reconversion period" (U. S. Senate, 1st sess., S. Con. Res. 11; report from a subcommittee to the Committee on Education and Labor, Substandard Wages, July 1945).

THE SHOE INDUSTRY'S WAGE STRUCTURE

The latest full-scale study of the industry's wage structure, which was published by the Bureau of Labor Statistics in 1939, showed that chaotic and irrational variations in wages have been an established practice in the industry.

Shoe manufacturers have been in a peculiarly advantageous position to practice wage cutting, even when deterred by strong measures on the part of Government and organized workers. Shoe machinery is light in weight, is easily moved from plant to plant, and is (with few exceptions) rented instead of being owned by the manufacturer.

The industry also suffers from the fact that a single monopoly, the United Shoe Machinery Corp., owns most of the important machinery used in the manufacture of shoes. This has made it easy for irresponsible shoe manufacturers simply to pack up and leave town whenever their workers organized for higher wages, or whenever they themselves saw the tempting possibility of cheaper labor elsewhere. One task of unions in this industry, in fact, has been to keep an eye on the rapidly moving manufacturer, and follow him up from town to town and from State to State.

Due to this extreme mobility of the plants themselves, and due also to the great number of small-sized factories, wages have varied considerably within regions, rather than from region to region. Shops in New York City and Chicago, for example, pay relatively high wages in general, whereas shops in up-State New York or down-State Illinois in some cases pay wages as low as those in Georgia or Tennessee. The chief variation in recent years has been between wages in large urban areas and wages in smaller cities and small towns, rather than the usual extreme North-South differential.

And yet these manufacturers for the most part bring their product to the same style shows and sell their shoes for similar prices. This seems to us to be the best proof that manufacturers in the city of Chicago, New York, or Boston, for example have been able to absorb the higher wage rate which prevails, and that it can be done by the manufacturers located in the smaller cities and towns, as Hagerstown, Md.; Washington, Aurora, Hannibal, and Higginsville, all in Missouri; Carlyle, Salem, and Dixon, in Illinois; Spencer, Webster, and Hudson, Mass.; Buford, Ga.; Lynchburg, Va.; Little Falls and Auburn, N. Y.; and Bethel and Georgetown, Ohio, and many others.

Moreover, often it is true in the shoe industry that the manufacturer who operates a plant paying high wage rates, also operates one or more plants in rural sections of the same or another State where low-wage rates prevail. For example, an old established firm in Greater New York also operates a plant in a small town in Pennsylvania. Another old established firm in Cincinnati, Ohio, manufactures the same type shoe in three other plants located in three very small towns—yet all their shoes are sold for identical prices. Passage, therefore, of S. 1349 will prevent the unscrupulous manufacturer from subjecting the workers in small communities to low wages. An adequate wage floor will be a tremendous boom to the entire community—to its business and to its entire standard of living.

STRAIGHT-TIME HOURLY EARNINGS IN 1944

These conditions are further substantiated by selected surveys of straight-time hourly earnings in the shoe industry in various regions for 1944 made by the Bureau of Labor Statistics. These afford useful information concerning the general level of shoe workers wages as well as indicates the extreme variations referred to previously.

In Wisconsin (except Milwaukee) for example, pay rolls were studied for 19 different classifications of men's jobs, and for 17 different classifications of women's jobs. The plants which paid the lowest wages paid only 2 men's classifications higher than 48 cents an hour. The general Wisconsin average for men's classifications, on the other hand, revealed only 4 classifications which were paid at less than 65 cents. The general average for women's jobs, however, was low throughout the State, and included none which were classified at higher than 48 cents.

In Illinois (exclusive of Chicago) similar discrepancies and similarly low levels were found. Nineteen classifications of women's jobs were reported. Plants paying the lowest wages classified 12 of these 19 jobs at 40 cents, the legal minimum. Six additional jobs were paid at rates between 41 and 48 cents, and only working foremen (forewomen) in the processing department earned as high as 52 cents an hour.

The average in Rochester, N. Y., was appreciably higher. Of 18 men's classifications studied, city plants average hourly rates of more than $1 for 9 of these jobs, and only 3 job classifications average lower than 65 cents an hour.

INDUSTRY OUTLOOK

Since VJ-day the shoe industry has been going full speed. In some instances it has opened the doors for many of its workers who had left to work in war plants. It is daily providing jobs for returning servicemen.

And there are good possibilities that the shoe industry may continue to expand and add many workers to its pay rolls. However, this can be true only if the general economy of our postwar America will make it possible for the people to earn enough to buy the shoes they need.

It is estimated that at present, of the total population of the United States 19.6 percent of the women and 27.3 percent of the men have only one pair of shoes. A total of 61.5 percent of the entire population has two or less pairs of shoes.

However, if 10,000,000 workers, as estimated by your subcommittee, are earning less than 65 cents per hour, the shoe industry cannot expect to sell many shoes to this vast army of American workers and their families.

A review of the excess-profits tax paid in during the war period by the shoe industry should prove conclusively that the increase in the total pay roll in order to cover the additional cost that the passage of this bill would call for can be absorbed by the industry.

It is interesting to observe that when ceiling prices were established on shoes the shoe manufacturers, especially those engaged primarily in the production of civilian shoes, even though unable to increase the selling price of their product yet managed to give their workers a 15-percent raise (Little Steel formula) provide vacations with pay, raise the minimum rate from 40 cents an hour to 50 cents and in some cases 55 and 60 cents, and still pay to the

Government a considerable sum in excess-profits tax and put aside in reserve a tidy nest egg.

The industrial soldiers who worked long hours to produce materials for war must not be forced to accept the standards of low-wage industries. Their devotion and sacrifice must not be forgotten in the mad rush for profits.

If workers are not assured earnings in private industry which will at least guarantee minimum subsistence wages, the purposes for which we fought a long and bloody war will be forgotten.

We urge adoption of the proposed bill. By so doing the American veterans and the industrial soldiers will be assured that this country is reconverting to a sound economy which will guarantee full employment and a living wage.

Respectfully submitted.

LEGISLATIVE DEPARTMENT, UNITED SHOE WORKERS OF AMERICA, CIO.

EXHIBIT 66

AMERICAN TRUCKING ASSOCIATIONS, INC.,
Washington 6, D. C., November 14, 1945.

Hon. JAMES M. TUNNELL,
Chairman, Subcommittee of Senate Committee on Labor,
United States Senate, Washington, D. C.

DEAR SENATOR TUNNELL: You will recall that during my testimony recently with regard to S. 1349, you requested that I supply you with some figures indicating wage payments by the motor-carrier industry in the various sections of the United States.

I am enclosing herewith a tabulation of such figures. I regret to say that it is not nearly as complete as I should like it to be. There is a tremendous amount of competition within our industry and operators in most instances have been extremely reluctant to supply us with figures showing their wage payments. This has been particularly true during the war years and at the present time, due to the shortage of skilled manpower within the ndustry.

I believe the figures speak for themselves, but if there is any uncertainty with regard to any portion of the tabulation, rest assured that I shall be glad to attempt to clarify the matter. In addition, if there are any areas or work categories in which we have failed to supply figures which you believe are necessary, we shall make every effort to correct the deficiency.

May I again express my appreciation to you and the other members of the subcommittee for the opportunity afforded our industry to testify with regard to S. 1349.

Very truly yours,

AMERICAN TRUCKING ASSOCIATIONS, INC.,
JOHN W. LAWRENCE, *Managing Director.*

Typical wage rates in the motor-carrier industry

[Amounts shown are hourly wages unless otherwise specified]

Locality	Over-the-road driver	City	Dockmen	Mechanics	Straight-time hours
MIDDLE ATLANTIC AREA					
Baltimore, Md	(1)	$0.86	$0.705		
Pittsburgh, Pa	$1.05	.95	.90	$1.15	45½
Lancaster, Pa	(1)	.69	.63		48
Harrisburg, Pa	(1)	.723	.665		48
Parkersburg, W. Va	.93	.805	.705		
Elizabeth, N. J	.95	.90	.78		
New York, N. Y	1.22-1.32		1.05	1.125	44
Syracuse, N. Y	.87	.85	.77		48
Buffalo, N. Y	.95			1.05	48
Binghamton, N. Y	.86				48
Akron, Ohio	.95		.80		48
Aurora, Ill	.85		.775		48
Peoria, Ill	.97	.92	.80	.95	48

[1] Paid by trip.

Typical wage rates in the motor-carrier industry—Continued

Locality	Over-the-road driver	City	Dockmen	Mechanics	Straight-time hours
NEW ENGLAND AREA					
Boston, Mass	$0.98				
New Bedford, Mass	.95		$0.82		
Rhode Island	.95		.82		48
SOUTHERN AREA					
Richmond, Va	(1)	$0.675	.625		48
Louisville, Ky	.80	.73			
Memphis, Tenn	.78	.66	.52		54
Atlanta, Ga	.66	.66	.54	$0.95	54
Birmingham, Ala	.67	.60	.61		
New Orleans, La	.65	.60	.57		54
CENTRAL STATES AREA					
Minnesota, Iowa, Nebraska, Kansas, Missouri, North Dakota, South Dakota, and Wisconsin	[2] .97				
SOUTHWESTERN AREA					
Dallas, Tex	.725		.55		
San Antonio, Tex	.62		.57		
WEST COAST AREA					
Washington, Oregon, and California	[3] 1.00–1.15				
MISCELLANEOUS					
Colorado	.92		.80		48

[1] Paid by trip.
[2] Some contracts specify a mileage rate of 3.7 cents instead of hourly rate.
[3] Some contracts specify a mileage rate of 4¼–4½ cents instead of hourly rate.

EXHIBIT 67

UNITED RETAIL, WHOLESALE, AND DEPARTMENT STORE EMPLOYEES OF AMERICA, CIO—ECONOMIC BRIEF IN SUPPORT OF PROPOSED AMENDMENT TO THE FAIR LABOR STANDARDS ACT

I. THE URW AND DSEA SUPPORTS THE PROPOSED AMENDMENT, BUT URGES THAT COVERAGE BE EXTENDED TO RETAIL WORKERS

The United Retail, Wholesale, and Department Store Employees of America, CIO, strongly recommends adoption of the proposed amendment (S. 1349; H. R. 3914) to the Fair Labor Standards Act as a first step toward achieving an American standard of living for workers presently employed at substandard wages. This International Union also urges adoption of the bill in order to protect the country against a deflationary wage spiral which would destroy our great opportunity to achieve a productive, stable, and profitable economy. It is a matter of record that those periods characterized by relatively high wage levels have been the most prosperous in American history, as well as the most profitable for business enterprise.

Stressing the economic necessity of increasing consumer purchasing power, economists, Government officials, et al., assure us that this country must increase its standard of living 50 percent to replace Government spending during the war period. Such a guaranty against depression clearly necessitates a high wage income and stable prices.

There is, therefore, widespread agreement that the real wages of our working population must not only be maintained but increased if we are to have markets for the current and potential output of our highly geared industrial plant.

A recent study prepared by the United States Bureau of Foreign and Domestic Commerce expands on this theme.[1] In noting that profits have reached un-

[1] Department of Commerce, Survey of Current Business, September 1945, pp. 1–7.

precedented heights despite increases in average earnings, the article suggests the "feasibility of further wage adjustments in the light of the prospects for good business activity in the future."

This simply means that business analysts, Government and labor representatives recognize that we must initiate a material increase in present basic wage rates in order to compensate for major losses in the wartime earnings of wage earners.

The present bill proposes to guarantee wage earners and the rest of the country against the consequences of violent wage deflation, by providing a 65-cent wage floor immediately and a 75-cent minimum within 2 years of its enactment. It does not assure them, however, of wages adequate to promote and sustain a decent standard of living, nor the buying power to maintain the desired level of national income noted above.

It is seriously defective in its failure to eliminate the specific exemption of retail workers from protection of the Fair Labor Standards Act.[2] It fails, too, to broaden coverage of the act, to the extent that workers actually employed in establishments whose operations affect interstate commerce will remain unprotected.[3]

We reiterate that we support the bill for the reason that it will protect our economy from disastrous deflationary effects, and because it will provide a closer approximation to a living wage for many workers, including wholesale, warehouse, and mail-order employees under our jurisdiction, many of whom are now employed at substandard wages. We strongly urge, however, that Congress extend the protection of the act to the millions of retail workers who are employed by chain and department stores clearly engaged in interstate commerce. We also recommend rewording of the act to broaden coverage, to include many establishments now engaged in operations affecting interstate commerce.

II. RETAIL WAGES LOWER THAN ALL MINIMUM BUDGET REQUIREMENTS

The report of the subcommittee of the Senate Committee on Education and Labor dealing with the War Labor Board "substandard" level and published in July 1945, indicated minimum levels of earnings on a budgetary basis. The WPA maintenance budget, repriced by the Bureau of Labor Statistics as of June 15, 1943, required an 83 cents per hour minimum wage. Taking into account the Bureau of Labor Statistics estimated increases in cost of living since that date, the maintenance budget would now require a minimum of 86 cents per hour.

The textile workers' emergency budget as of January to February 1944 based on repricing the WPA emergency budget of March 1935, called for a minimum of 78 cents per hour, and their maintenance budget for a minimum of 87½ cents per hour. The Heller committee budget for a wage earner's family in San Francisco in 1944 required $1.48 per hour as a minimum.

No more dramatic reflection of the plight of the retail workers can be found than by comparing these figures with those contained in the tables attached.

Perhaps one of the most effective studies in its high-lighting of retail wages is one prepared by the National War Labor Board (table X). No matter how you recalculate the hourly figures—on a weekly or annual basis—the net result is a shocking revelation of the economic plight of the largest single group of nonagricultural, private employees in the United States outside of manufacturing.

According to this study over 51 percent of all retail employees in the United States are employed at wage rates of less than 50 cents per hour. That is, an estimated 2,614,000 of the 4,688,000 retail employees covered by the study earned less than 50 cents per hour as of January 1944.

There were 1,278,000 employed at less than 40 cents an hour; and as many as 276,000 at less than 30 cents an hour.

This survey reveals conclusively that retail employees comprise the largest group of substandard workers in private industry.

Limited price variety wages.—Wage data compiled by the Bureau of Labor Statistics shown in table II indicate that retail clerks (female) in limited-price variety stores averaged 34 cents per hour in the spring and summer of 1943 on a country-wide basis.[4] This figure covers a range of averages from 29 cents

[2] Fair Labor Standards Act of 1938, sec. 13, pars. I and II.
[3] Fair Labor Standards Act, sec. 6, etc., "To each of his employees who is engaged in commerce or in the production of goods for commerce."
[4] Estimated total employment in all variety stores is more than 300,000. Monthly Labor Review, Bureau of Labor Statistics, June 1944.

in all southern cities of over 25,000 population to 48 cents in western cities of over 500,000 population.

The report of the industrial commissioner to the New York Retail Minimum Wage Board in June 1945 showed 82.3 percent of variety-store workers in New York State to be employed at less than 50 cents per hour and 55.7 percent to be employed at less than 40 cents in 1944. (See table VIII.)

Minimum rates are often more revealing of actual levels of wages than averages. In the limited-price variety field the average earnings of a retail clerk (female) according to the Bureau of Labor Statistics, were 36 cents in New York City, but the average earnings of the lowest-paid employees in all stores surveyed were only 29 cents.

In Richmond, Va., this average of lowest-paid workers in variety stores was 25 cents per hour, and in Nashville, Tenn., 15 cents per hour.

The Pacific coast shows up best on a national basis but average wages of the lowest-paid sales clerks in all establishments surveyed hit 29 cents in Denver, Colo., and Ogden, Utah.[5]

Department-store wages.—Department- and clothing-store wages shown in table III are equally dynamic in pointing up the acute economic problem of employees in retail establishments. Stores in this field accounted for one-fifth of all retail employees in 1939.

General sales clerks (female) who comprise the majority of such employees, averaged 50 cents per hour, cashiers grades I and II, 50 cents and 43 cents per hour, respectively; stock girls averaged 39 cents, and stockmen 48 cents per hour, on a countrywide basis.

Data for establishments in smaller communities make the position of those retail workers discussed above appear rosy: The average earnings in these towns are equivalent to the minimum rates in the larger cities. In a special study undertaken in December 1943, the Bureau of Labor Statistics obtained average wages for sales clerks in towns ranging in size from 6,000 to 20,000 inhabitants (table V). Sales clerks in a Maryland town averaged 39.4 cents per hour in department and clothing stores, and 29.8 cents per hour in limited-price variety stores. And these figures reflect a wartime increase of 24.7 percent and 36.7 percent, respectively.[6]

III. ANNUAL EARNINGS OF FULL-TIME RETAIL WORKERS INDICATE GROSSLY SUBSTANDARD CONDITIONS

If we desire an even more comprehensive view of the white-collar worker's inability to sustain himself economically we need only turn to comparison of required annual earnings as submitted in the budgets noted on page 3 with reported annual earnings of retail employees. The WPA maintenance level budget called for an absolute minimum of $1,673 annually (33 cities repriced as of June 15, 1943). This varied from a low of $1,496.50 in Mobile, Ala., to a high of $1,816.12 in New York City.

As of June 1945 this budget approximated $1,730 nationally due to additional increases in the cost of living.[7]

According to the most recent report of the Department of Commerce, however, average annual earnings per full-time employee in retail trade and automobile services amounted to only $1,589 in 1943. And this figure reflects the earnings of all occupational groups "from corporation executives to charwomen."[8] It is also a gross-earning figure allowing for none of the many payroll deductions specified below (p. 7).

Data for 1940 for department and apparel store office workers in five cities show annual earnings of $1,060 for women and $1,625 for men in Los Angeles; $1,019 for women and $1,520 for men in Kansas City; $884 for women and $1,162 for men in Philadelphia; $911 for women and $1,236 for men in Houston, and $980 for women in Richmond.[9]

If one makes the doubtful assumption that many full-time retail workers are economically responsible only for themselves, we can compare some of these

[5] Wage Rates in Limited Price Variety Stores, Bureau of Labor Statistics, Bulletin R, 165°, p. 5.
[6] Trend of Earnings Among White-Collar Workers During the War, Bureau of Labor Statistics, Bull. No. 783, p. 16.
[7] We contend, however, that this is an underestimate in view of the inability of the BLS index to adequately measure changes in the cost of living. CIO estimates are that between January 1941 and March 1944 living costs in the United States rose 45.3 percent.
[8] Survey of Current Business, U. S. Department of Commerce, June 1945, pp. 17–24.
[9] Ibid., Office Work in Houston, etc., Women's Bureau, 1942.

annual earnings with budgetary requirements for self-supporting workers. The results are equally revealing of the substandard position of the retail worker.

As of March 1944 the Heller Committee for Research in Social Economics estimated that a workingwoman living alone in San Francisco required $1,534.20 annually. If we check back specifically to the hourly earnings data cited above for San Francsico, and compute annual earnings, we find that in 1943 women clerks in limited-price variety stores averaged only $1,060.[10]

New York State estimates of the minimum budget for a woman worker living as a member of a family in 1944 amounted to $1,643.53. Yet, over 80 percent of full-time women workers in retail trade in New York State earn less than this minimum.[10]

Prior to the war period the Department of Agriculture and the Women's Bureau priced budgets in several States for women workers living alone. The variation between States was relatively small and we can, therefore, assume that the data for New York and San Francisco cited above are representative of much of the United States.

IV. RELATIVE ECONOMIC POSITION OF RETAIL WORKER LOW—NOT IMPROVED DURING WAR

On a relative basis the retail white-collar worker is one of the most economically exploited individuals in all industry. This has been testified to at great length by business, labor, and the press. This relative position was not improved during the war.

Table IV reflects gross average hourly earnings in all manufacturing and selected low-wage industries, inclusive of overtime and all other types of premium pay, but not reflecting the many pay-roll deductions to which wage and salary earners are subject. These include such items as withholding tax, social security taxes, and insurance deductions.

The average shown for retail trade is inflated by many factors, especially by the manner in which the hourly earnings figures are computed.[11] But it does show that the percent increase in earnings from 1939 to 1945 was smaller for retail-trade employees than for any other industry shown. And this despite the fact that Bureau of Labor Statistics figures for 1940 show retail-trade wage earners eightieth from the top in terms of interindustry earnings.

It is interesting to note here that the Bureau of Labor Statistics figures shown in table IV largely reflect information obtained from the larger retail establishments and chain stores—in other words, many of those establishments which, if the retail exemption were removed, would come under the present Fair Labor Standards Act because they are engaged in interstate commerce. For example, average employment in the general merchandise firms reporting is 87 persons.

The low relative position of retail office workers as compared with office workers in other industries is effectively presented in table VI. This graph is based on a report prepared by the Women's Bureau in 1940 on conditions of office workers in various cities. The average monthly salary rates paid to women office workers in department and apparel stores in five cities were substantially lower than the rates paid to women in other types of offices. The retail salaries varied from a low of $74 per month in Houston department and apparel stores to $86 per month in Los Angeles. The office-worker group averages include relatively high-salaried positions, so that even the low figure of $74 in Houston obscures the fact that general clerks [12] in department and apparel stores in that city averaged $68 per month or only $15.81 per week in 1940.[13]

Additional proof of the relatively low position of the retail worker among white-collar groups is contained in another study.[14] Analyzed therein are those industries employing the majority of white-collar workers. In terms of hourly earnings, workers in retail trade are next to the lowest of all surveyed, only service industries showing a lower level.

[10] On a 40-hour 50-week basis.
[11] For method of collection and computation see Hours and Earnings in the United States, 1932–40, U. S. Department of Labor Bulletin No. 697, Washington, 1942.
[12] Those not classified in stenographic groups, accounting group, machine operators, or "other clerks."
[13] Office Work in Houston, bulletin of the Women's Bureau, U. S. Department of Labor, No. 188–1, Washington, 1942.
[14] Ibid., Trend of Earnings Among White-Collar Workers During the War.

V. LOW EARNINGS CAUSE UNECONOMIC OPERATIONS IN RETAIL TRADE

Today, the retail market is disturbed because it finds industrial workers and veterans disinclined to accept its offers of low earnings. Quotations similar to the following recur in the trade press.

"Lower salaries in retail establishments are discouraging war-plant workers from taking positions offered.

"At present there are more applications for jobs in warehouses, stockrooms, trucks, etc., rather than for white-collar work.

"One executive indicated department stores would be the last to get veterans because the salaries they pay are too low to attract most men." [15]

Business itself thus admits the inadequacy of the living standards it offers its workers. Even if not openly admitted, the extraordinary and thoroughly uneconomic turn-over rates in retail trade would speak for themselves. The great low-wage concern, Montgomery Ward & Co., admitted the following:

"Our labor turn-over problem is becoming increasingly serious. If we continue to replace employees that leave us at today's rate, if we permit our current high rate of turn-over to continue during the next 12 months, we will employ approximately 25,000 new employees to replace an equal number that will leave our employment." [16]

VI. ENORMOUS PROFITS ALLOW FOR A LIVING WAGE * * * AND MORE

Despite the obviously uneconomic consequences of paying millions of workers substandard wages, the cry will be raised that the distributive trades cannot afford to pay a living wage to millions of its employees.

But the facts—the facts of enormously increased sales and profits—make any cry of inability to pay a pathetic joke on the oft-cried-over but just as oft-forgotten white-collar worker.

Every day the retail trade papers and Government reports cite individual instances of constantly increasing earning power on the part of corporations and progressively increasing retail sales. (See chart I.)

In fighting to retain OPA's retail cost-absorption policy Chester Bowles stated in a letter to an association of retail merchants that the reduced costs of doing business "have naturally resulted in a vast increase in dollar earnings."

Moreover, the ratio of net profits to sales rose from 1½ percent in 1936–39 to 12 percent in 1944, * * * so that according to Bowles "friends in the retail community tell me they can scarcely look at the figures without blushing." In the same letter he also stated: "No one can, of course, make firm predictions about the future. It is my judgment, however, on the basis of careful studies made in this Office that the level of department-store sales and retail sales generally will be higher this year and in 1946 than they were in 1944, itself the best year on record." [17]

We have gone into some detail with regard to workers' earnings in limited-price variety stores. Yet we find that the net profits earned by these establishments have been out of all proportion to the low level of employee wages.

A recent report prepared by the Harvard School of Business states that 1944 net earnings of limited-price variety chains, after sundry income deductions, amounted to approximately 11.5 percent of sales. Earnings after taxes amounted to 9.83 percent of net worth, "a figure practically identical with the 9.8 percent reported by the National City Bank of New York for 1,327 leading manufacturing corporations in 1944." [18]

The Office of Price Administration has also released earnings figures of limited-price variety companies. These show that for 12 representative corporations, profits rose from an average of $72,738,000 in 1936–39 to $138,106,000 in 1943 and $162,511,000 in 1944. (See table X.) This represented a percent increase from the 1936–39 average to 1944 of 123.4 percent.

No estimates of wage movements cited in the earlier sections begin to compare with the rate of profits increases noted here.

[15] Women's Wear Daily, September 4, 1945.
[16] War Labor Reports, vol. 3, p. 102. National War Labor Board Case No. 192, Final Report of the Panel.
[17] Women's Wear Daily, September 19, 1945.
[18] Expenses and Profits of Limited Price Variety Stores in 1944, Harvard University Graduate School of Business Administration.

The substandard wages paid by that great mail-order house, Montgomery Ward & Co., have been cited above. These are being paid despite company profits of $49,065,839 for the fiscal year ending January 31, 1945, an improvement of more than $17,000,000 over the previous year's earnings.[19]

For the 6 months ending July 31, 1945, net earnings after taxes amounted to $8,401,102, an increase of $1,554,366 over the same period last year. These earnings equaled $1.48 per common share of stock againsht $1.18 last year for the same period. Ward's paid out $5,922,586 in dividends during the first half-year of 1945 cited above.

It is also this company's proud boast that "it could have paid off every dollar it owed in current bills and still have had $59,000,000 left in the treasury." [20] In other words, enormous treasury reserves have been accumulated out of profits which to a large extent are unproductive. We contend that they could be more productively put to use by paying Ward workers a living wage.

Profits data for other mail-order companies are shown in table XI. These indicate average profits of $69,476,000 for six mail-order houses in the peacetime years 1936–39. These rose to $118,237,000 in 1943, and to $158,063,000 in 1944, representing an increase of 127.5 percent between the peacetime years and 1944.

Total profits after taxes of these six mail-order houses amounted to $57,826,000 in 1944, and $53,036,000 in 1943. For the latter year this represented a realization of 8.8 percent on net worth. (See table XV.)

Another major division of the distributive trades which clearly should be covered by provisions of the Fair Labor Standards Act is the department-store field. Employee earnings in this type of establishment are generally low as noted above. But profits data reveal anything but a marginal industry incapable of paying its employees a living wage.

The OPA tabulations cited above, and found in table XI, show an increase of 356 percent in department-store profits from the 1936–39 average to 1944. For 1943 department-store profits shown in table XV were a realization of 35.7 percent on net worth before taxes and 11.6 percent after taxes.

Retail-apparel stores approximated the same percent increase in profits as department stores: 356.6 percent from the 1936–39 average to 1944.

VII. LEGISLATION NECESSARY TO RAISE WAGE LEVEL TO ASSURE A MINIMUM STANDARD OF LIVING

Attempts to improve the level of wages in firms paying substandard wages produce complaints about inability to maintain a competitive position while paying a living wage.

For example, Montgomery Ward & Co. is still paying grossly substandard wages.[21] But it is significant that in refusing to comply with War Labor Board directives granting general increases in several of its establishments, Ward's representatives stated that they would be willing to pay higher wages if other firms were forced to pay equally high wages.[22]

Operations of retail mail-order houses are presently covered by the Fair Labor Standards Act, and the most effective way of disposing of the competitive argument is to put a uniform floor under earnings.

In order to raise the earnings of persons in other retail establishments not presently covered, we must immediately remove their specific exemption from coverage, and allow them the benefits of the minimum made available to their fellow workers, many of whom are in identical jobs.

VIII. NEED FOR A UNIFORM MINIMUM—REGIONAL DIFFERENCES IN COST OF LIVING

It is clear from the evidence on hand that regional differentials in the cost of living are greatly exaggerated, and substantially lower earnings in any one section are unjustified.

Variation in cost of living is generally greater as between urban and rural districts as such, rather than between large cities in different parts of the country.

[19] Montgomery Ward & Co., seventy-third annual report, March 21, 1945.
[20] Montgomery Ward & Co., statement to shareholders, May 1945.
[21] In Albany, N. Y., the minimum at the mail-order house and retail store is 40 cents per hour; in Chicago it is 45 cents per hour, etc.
[22] Verbatim transcript of show cause hearing before National War Labor Board, August 3, 1945, pp. 22–23.
"Mr. BALL. * * * we would welcome any action by the Congress that would determine that (minimum wage) as a policy and make it apply to everyone."

For example, according to the maintenance budgets for large cities in the United States calculated by WPA and the Bureau of Labor Statistics, the cost of living in Norfolk (Va.).[25] In June 1943 was higher than that for Philadelphia;[24] that for Houston (Tex.)[25] was actually higher than that for Kansas City (Mo.).[26]

Actual differences between urban and rural costs of living have also been distorted. In the report of the New York Retail Minimum Wage Board it is noted that "the cost of living does not vary in direct relation to the size of the community but rather varies between individual communities."

On the basis of information showing, for example, that the cost of living for a woman worker living as a member of a family was lower in New York City than for a woman worker outside New York City, the Minimum Wage Board recommended a uniform minimum of $21 per week for the entire State.[27] This recommendation has already been accepted and promulgated by the Industrial Commissioner of New York State.

Thus, claims of gross differences in the cost of living as between communities have little validity in challenging the equity of uniform minimum wage standards.

IX. THOUSANDS OF WORKERS IN WHOLESALE TRADE ALSO EMPLOYED AT SUBSTANDARD WAGES

This international has contracts with many wholesale establishments. Milk distributors, grain elevators, textile middlemen, and warehouse operators are among those included. Hundreds of these are engaged in interstate commerce and are covered by the present Fair Labor Standards Act. Others will be covered when the act is broadened, as it must be, to include workers presently protected by such legislation as the National Labor Relations Act but not by the Fair Labor Standards Act.

The general level of wholesale wages is somewhat higher than that shown for retail. But reference is made to table X, where it is shown that of an estimated 1,565,000 workers in wholesale trade 177,000 earn less than 40 cents per hour, and 285,000 earn less than 50 cents.

Wage rate data obtained from the Bureau of Labor Statistics on wholesale grocery establishments covering a period during the spring and summer of 1943 show average straight-time earnings of 40 cents an hour and less in such cities as Birmingham (Ala.), Jacksonville (Fla.), Atlanta (Ga.), Louisville (Ky.), New Orleans (La.), etc., with individual rates as low as 30 cents per hour.

The substantial number of workers in wholesale trade employed at substandard wages must be recognized and remedied by revision of the present act. This can be accomplished both by raising the present minimum to a living wage, and extending covering of the act as noted above.

X. RETAIL EMPLOYEES ENTITLED TO PROTECTION AGAINST PRESENTLY EXCESSIVE HOURS

The 40-hour week has become standard in the American economy and continuation of provision for premium pay after 40 hours is but recognition of this standard. Insofar as this protection as well as wage protection is specifically withheld from the retail worker the present bill remains inadequate and discriminatory. Detail workers are notoriously worked long and unhealthy hours because penalty pay is not required of their employers.

In 1940, before this country had put war production on a 48-hour-a-week basis, average hours worked in retail trade were tenth highest in the country out of a total of 103 industries reported.[28] Ordinarily the longer the hours worked the greater the take-home pay, but one of the ironic facts recently revealed by the New York State Minimum Wage Board was that retail earnings do not increase with the number of hours worked. "Women who were employed exactly 40 hours often had higher week's earnings than those who were employed for over 40 and under 48 hours per week." [29]

In New York State there is a 48-hour limitation on the working hours of women, and the working hours of men are, therefore, more indicative of the normal, un-

[23] $1,695.86.
[24] $1,636.02.
[25] $1,582.37.
[26] $1,541.23.
[27] New York State—Report of the Retail Trade Minimum Wage Board to the Industrial Commissioner. July 27, 1945, p. 6.
[28] Hours and Earnings in the United States, 1932–40. Bureau of Labor Statistics. Bulletin No. 697, p. 29.
[29] Ibid—Report of the Retail Minimum Wage Board to the Industrial Commissioner, p. 5.

controlled hours in retail trade. Median hours worked by men in all types of retail establishments averaged 47.1 in 1944, with 26 percent working over 48 hours per week.[30]

It is clear that we cannot have one large segment of the economy characterized by both the lowest wages and highest hours without being forthright in our attack upon the gross inequity of the situation.

XI. RETAIL CHAINS CLEARLY ENGAGED IN INTERSTATE COMMERCE

We contend that the exemption of retail employees from coverage of the Fair Labor Standards Act is specific discrimination against a major group of wage and salary earners many, of whom are employed in establishments clearly engaged in interstate commerce.

Chain-store operations are, in the vast majority of cases, interstate in every aspect; the movement of goods, money, and personnel across State borders is apparent. And retail chain stores comprise a significant proportion of all retail establishments.

In 1942 chain-store sales comprised 24.4 percent and in 1943, 22.8 percent of all retail sales.[31]

Of the total of 5,469,000 employees engaged in retail trade in 1939, 1,441,783, or over 25 percent were employed in chain establishments.[32]

We are urging revision of the wording of the present act so that all employees in establishments, the operations of which affect interstate commerce, will be protected by its wage and hour provisions. But we are unable to understand why even such establishments as would normally be covered under the present provisions should be given full freedom through specific exemption to pay substandard wages.

There is no moral or economic justification for continued exemption of retail employees from protection of the Fair Labor Standards Act.

Their living costs are equally high if not higher than those of the average manufacturing employee.

They comprise a substantial portion of our working population.

Their low level of earnings tends to depress the general level of wages, resulting in reduced buying power and an unhealthy and stagnant economy.

They suffer want amidst the plenty of their industry.

Along with the president of a Chicago department store we feel that: "The proposed 65-cent minimum for all workers will result in a higher purchasing power and hence a better retail volume than during the 40-cent minimum * * *."[33]

But the United Retail, Wholesale, and Department Store Employees demand the 65-cent minimum for the department-store employees as well.

SAMUEL WOLCHOK,
President, United Retail, Wholesale, and Department Store Employees of America.

TABLE I.—*Estimated average number of full-time and part-time employees in wholesale and retail trade, 1939–43* [1]

	1939	1940	1941	1942	1943
Total (wholesale and retail trade) [2]	6,805,000	7,199,000	7,692,000	7,492,000	7,416,000
Retail trade and automobile services	5,180,000	5,520,000	5,912,000	5,789,000	5,799,000
Wholesale trade	1,625,000	1,679,000	1,780,000	1,703,000	1,617,000

[1] Source: Department of Commerce—Survey of Current Business, June 1945, p. 18.
[2] Includes only wage and salary earners. Excludes proprietors, own account workers, or unpaid family workers.

[30] New York State—Report of the Industrial Commissioner to the Retail Minimum Wage Board. June 1945, p. 87.
[31] See chart II for graphic presentation of relationship between all retail sales and chain-store sales.
[32] Census of Business. Retail Trade: 1939. U. S. Department of Commerce.
[33] Women's Wear Daily. September 11, 1945.

TABLE II.—*Medium straight-time hourly earnings in selected occupational classifications in limited-price variety stores, by size of city, spring and summer, 1943* [1]

Region and city-size group	Retail clerks, female	Stock girls	Stockmen	Porters, male
United States—All cities	$0.34	$0.39	$0.42	$0.38
500,000 population and over	.39	.43	.47	.46
100,000 and under 500,000 population	.35	.39	.44	.40
25,000 and under 100,000 population	.33	.37	.39	.34
Northeastern cities	.36	.39	.45	.47
500,000 population and over	.36	.43	.45	.46
100,000 and under 500,000 population	.38	.39	.47	.49
25,000 and under 100,000 population	.35	.35	.41	.41
Border cities	.30	.38	.37	.33
500,000 population and over	.37	.40	.48	.40
100,000 and under 500,000 population	.33	.39	.46	.34
25,000 and under 100,000 population	.29	.33	.36	.31
Southern cities	.29	.33	.35	.29
100,000 and under 500,000 population	.29	.34	.38	.29
25,000 and under 100,000 population	.29	.30	.34	.30
Middle-western cities	.36	.41	.43	.43
500,000 population and over	.39	.43	.43	.47
100,000 and under 500,000 population	.37	.40	.43	.44
25,000 and under 100,000 population	.34	.40	.43	.38
Mountain and Pacific cities	.40	.43	.47	.54
500,000 population and over	.48			
100,000 and under 500,000 population	.44	.44	.50	.60
25,000 and under 100,000 population	.35	.42	.46	

[1] From the Monthly Labor Review (June 1944) of the Bureau of Labor Statistics, U. S. Department of Labor.

TABLE III.—*Medium hourly earnings* [1] *in selected job classifications in department and clothing stores, by city size and region, spring and summer of 1945*

Region and size of city	Retail clerks									Nonselling occupations				
	Male				Female					Stock men (male)	Female			
	Furniture	General clerks	Men's clothing	Shoes	Cosmetics and toiletries	General clerks	Hosiery, women's	Shoes	Women's clothing		Bundle wrappers	Cashiers, grade I [2]	Cashiers, grade II [2]	Stock girls
All cities	$1.18	$0.83	$1.05	$0.84	$0.49	$0.50	$0.49	$0.60	$0.58	$0.48	$0.39	$0.50	$0.43	$0.39
Cities with a population of—														
500,000 and over	1.30	.92	1.24	.99	.57	.60	.52	.71	.62	.54	.44	.53	.48	.42
250,000 and under 500,000	1.19	.82	1.12	.88	.52	.50	.52	.62	.61	.49	.38	.50	.42	.38
100,000 and under 250,000	1.14	.84	.88	.80	.46	.46	.47	.53	.55	.46	.38	.48	.43	.39
Northeastern cities	1.18	.84	1.04	.86	.46	.51	.47	.62	.57	.49	.40	.48	.43	.41
Border States cites	1.31	.80	1.13	.86	.51	.47	.46	.52	.58	.47	.38	.48	.48	.37
Southern cities	1.06	.78	.88	.77	.50	.46	.48	.49	.54	.40	.35	.46	.38	.33
Middlewestern cities	1.25	.85	1.06	.93	.53	.53	.50	.60	.60	.51	.42	.50	.44	.40
Mountain and Pacific coast cities	1.49	.89	1.39	.99	.60	.64	.61	.79	.83	.57	.54	.61	.57	.50

[1] Exclusive of premium pay for overtime or late-shift work.
[2] In general, the cashier, grade I, accepts payments on charge accounts, cashes customers' checks, and sells gift certificates besides assuming, whenever necessary, the duties of cashier, grade II, who accepts payment for sales slips made out by clerks, makes change, and may also wrap packages.

Source: Bulletin 801, Bureau of Labor Statistics, U. S. Department of Labor, Wages in Department and Clothing Stores, Large Cities, Spring and Summer, 1943.

TABLE IV.—*Trend of average hourly earnings in all manufacturing and in selected low-wage industries, 1935 to June 1945*

[Cents per hour]

Industry	1939	1940	1941	1942	1943	1944	June 1945	Percentage increase 1939 to June 1945
All manufacturing	63.3	66.1	72.9	85.3	96.1	101.9	103.9	64.1
Sawmills and logging camps	47.6	50.1	55.0	63.5	72.2	77.9	80.8	69.7
Brick, tile, and terra cotta	54.3	56.3	63.4	69.9	75.1	78.6	81.5	50.1
Cotton manufactures, except small wares	38.9	41.2	46.4	54.0	59.0	62.9	69.2	77.9
Shirts, collars, and nightwear	39.8	42.0	45.5	52.7	58.2	65.0	69.4	74.4
Men's underwear and neckwear	40.1	43.9	46.7	53.9	63.4	70.4	73.7	83.8
Workshirts	30.9	35.1	39.4	44.9	48.2	53.3	57.5	86.1
Cigars	41.9	43.0	45.1	50.3	59.0	66.5	71.6	70.9
Confectionery	49.2	50.5	53.8	59.6	66.4	72.3	76.5	55.5
Canning and preserving	46.4	46.5	52.4	62.0	71.5	76.9	79.8	72.0
Boots and shoes	50.3	52.6	57.8	65.6	71.7	76.8	83.2	65.4
Hosiery	53.6	55.3	55.4	61.0	69.5	75.3	79.1	47.6
Cottonseed oil	30.2	33.5	35.4	39.9	46.5	52.6	58.1	92.4
Fertilizers	41.2	43.0	47.2	54.6	61.7	67.6	71.6	73.8
Quarrying and nonmetallic mining	55.0	56.8	62.8	71.7	78.9	85.6	88.1	60.2
Retail trade	53.6	54.2	56.8	61.4	67.0	72.4	77.0	43.7
Hotels	32.4	33.2	34.8	38.6	45.1	50.5	54.1	67.0
Power laundries	41.7	42.2	44.1	48.6	54.9	62.0	66.2	58.8

Source: Bureau of Labor Statistics, Hourly Earnings in Manufacturing and Nonmanufacturing Industries, Annual Averages 1939–44, and Hours and Earnings, June 1945.

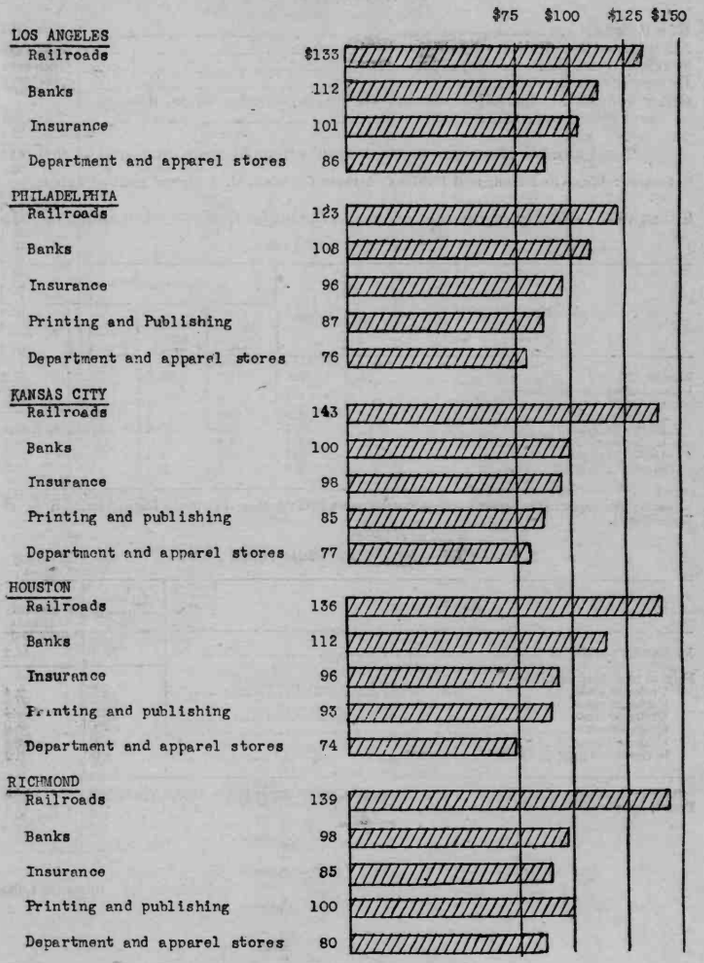
TABLE V.—*Straight-time average hourly earnings,[1] December 1943, in key operations in selected industries in 12 towns, and percent of change since January 1941*

Town and State	Department and clothing stores sales clerks		Limited-price variety stores sales clerks	
	Current rate, December 1943	Percentage of change since January 1941	Current rate, December 1943	Percentage of change since 1941
Town A, Vermont	$0.465	10.9	$0.259	22.2
Town B, New York	.538	19.3	.310	21.1
Town C, Maryland	.394	24.7	.298	36.7
Town D, Virginia	.471	22.3	.266	26.1
Town E, Ohio	.471	4.9	.283	24.7
Town F, Michigan	.422	43.1	.312	41.8
Town G, Illinois	.407	26.4	.306	28.0
Town H, Nebraska	.415	28.1	2.93	36.3
Town I, Colorado	.521	15.8	2.95	17.1
Town J, Oklahoma	.416	23.8	.310	40.3
Town K, California	.510	15.6	.446	20.2
Town L, Washington	.489	5.4	.385	14.2

[1] Exclusive of premium payments for overtime or night work.

Source: Trend of Earnings Among White-Collar Workers During the War, May 1944. Bureau of Labor Statistics, U. S. Department of Labor, Bulletin No. 783.

TABLE VI. *Women Office Workers. Average Monthly Salary Rates by Type of Office, Five Cities, 1940*



Women's Bureau, United States Department of Labor.

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TABLE VII.—*Estimated number of employees receiving less than 40 cents an hour, August 1944*

Retail trade	1,900,000
Agriculture (excluding unpaid family labor)	1,300,000
Services (except domestic)	750,000
Domestic services	700,000
Other industries, including manufacturing, wholesale, trade, finance, and Government	250,000
Total number of employees earning less than 40 cents an hour	4,900,000

Source: Wage and Hour and Public Contracts Division, U. S. Department of Labor.

TABLE VIII.—*Hourly earnings of women in the major types of retail stores in 1944*

NEW YORK STATE

Hourly earnings	All stores	Type of store			
		Food	Department	Variety	Apparel
Median (in cents)	52.4	51.8	51.0	39.2	58.2
Percent of women earning—					
Under 30 cents	1.5	.9	.4	5.9	.4
Under 40 cents	19.5	12.1	17.5	55.7	7.2
Under 50 cents	42.3	42.4	45.8	82.3	24.3
Under 60 cents	68.3	73.4	76.5	91.9	54.7
Under 80 cents	90.1	95.0	92.0	98.4	86.0
80 cents and over	9.9	5.0	8.0	1.6	14.0

Source: Summary of the report of the industrial commissioner, June 1945, to the Retail Trade Minimum Wage Board.

TABLE IX.—*New York State retail trade*

Hourly earnings	All occupations	Sales
Median (in cents)	52.4	48.2
Percent of women earning—		
Under 30 cents	1.5	2.4
Under 40 cents	19.5	27.4
Under 50 cents	42.3	53.7
Under 60 cents	68.3	77.6
Under 80 cents	90.1	94.8
80 cents and over	9.9	5.2

Source: Summary of the Report of the Industrial Commissioner to the Retail Trade Minimum Wage Board, June 1945

TABLE X.—*Estimated frequency distribution of private, nonagricultural employees [1] by straight-time wage rates [2] as of January 1944*

[In thousands of employees]

Hourly rate (cents)	Manufacturing	Mining	Construction	Transportation, communication and public utilities	Retail trade	Wholesale trade	Finance, insurance, and real estate	Services	Grand total	Percent	Percent cumulative
Under 20 [3]	------	------	------	------	16	------	------	79	95	0.3	0.3
20 and under 30	------	------	------	------	260	1	------	215	476	1.7	2.0
30 and under 40	122	------	------	26	1,002	21	12	388	1,571	5.6	7.6
40 and under 50	965	4	8	108	1,336	155	136	371	3,083	11.1	18.7
50 and under 60	1,461	9	44	630	783	108	255	159	3,449	12.4	31.1
60 and under 70	1,479	10	50	383	496	172	275	125	2,990	10.7	41.8
70 and under 80	1,561	13	44	410	314	217	151	96	2,806	10.1	51.9
80 and under 90	1,691	36	24	627	238	167	53	147	2,983	10.7	62.6
90 and under 100	1,585	84	25	396	95	161	65	67	2,478	8.9	71.5
100 and under 110	1,291	74	48	593	50	136	97	62	2,351	8.5	80.0
110 and under 120	1,017	152	29	160	35	101	69	75	1,638	5.9	85.9
120 and under 130	890	112	56	92	23	98	29	18	1,318	4.7	90.6
130 and under 140	672	57	34	39	14	101	[4] 3	16	936	3.3	93.9
140 and under 150	384	27	16	48	11	45	------	17	548	2.0	95.9
150 and under 160	[5] 538	3	73	71	5	30	------	2	[6] 988	[6] 4.1	100.0
160 and under 170	------	------	40	58	4	23	------	9	------	------	------
170 and under 180	------	------	49	------	3	[7] 29	------	6	------	------	------
180 and under 190	------	------	8	------	2	------	------	5	------	------	------
190 and under 200	------	------	6	------	[8] 1	------	------	5	------	------	------
200 and under 210	------	------	8	------	------	------	------	------	------	------	------
210 and over	------	------	[9] 4	------	------	------	------	6	------	------	------
Total	13,656	581	566	3,641	4,688	1,565	1,145	1,868	27,710	100.0	------

[1] The distribution excludes agricultural and governmental employees, professionals, and domestic servants. All employees are included except in manufacturing, mining, and construction; in these cases only wage earners are included.
[2] The mining distribution is gross average hourly earnings; all others are straight-time hourly rates.
[3] Most of the observations in this interval lie close to its upper limit.
[4] Includes all persons over $1.30.
[5] Includes all persons over $1.50.
[6] Includes all persons over $1.50.
[7] Includes all persons over $1.70.
[8] Includes all persons over $1.90.
[9] Includes all persons over $2.10.

TABLE XI.—*Profits before and after taxes, 1936–39 average, 1943, and 1944—134 retail trade companies*

[Dollars in thousands]

	Number of companies	Profits before income taxes			Profits after taxes		
		1936–39 average	1943	1944	1936–39 average	1943	1944
Total of all companies	134	$267,597	$637,848	$757,665	$219,380	$248,553	$260,211
Apparel and accessories	20	8,915	36,805	40,706	7,139	12,412	[1] 13,232
Drugs	8	6,194	18,210	18,456	5,136	6,619	6,632
Eating and drinking places	11	4,520	14,122	13,981	3,607	7,328	6,357
Food	18	36,955	65,027	77,097	30,362	[1] 31,070	[1] 33,687
Furniture and housefurnishings	6	2,655	6,783	7,634	2,172	2,263	2,397
General merchandise	64	200,621	482,297	586,910	164,908	182,026	192,427
Department stores	46	58,407	225,954	266,336	48,026	73,633	78,056
Limited price variety stores	12	72,738	138,106	162,511	61,621	55,357	56,545
Mail-order houses	6	69,476	[2] 118,237	158,063	55,261	[1] 53,036	57,826
Other retail stores	7	7,737	14,604	12,881	6,056	[1] 6,835	[1] 5,479

[1] Before crediting refund of taxes due to carry-back of excess profits: Apparel, $45,000; food, $404,000 in 1943 and $22,000 in 1944; mail-order houses, $640,000; and other retail stores, $154,000 in 1943 and $280,000 in 1944.
[2] After renegotiaton refund of $1,062,000.

NOTE.—Profits are shown before minority interest and contingency reserves, which are deemed to be nonallowable appropriations from current income.
Division of Research, Office of Price Administration, Financial Analysis Branch.

TABLE XII.—*Profits before and after taxes, 1936–39 average, 1943, and 1944—134 retail trade companies*

	Number of companies	Profits before income taxes: percent change to 1944 from—		Profits after taxes—percent change to 1944 from—	
		1936–39 average	1943	1936–39 average	1943
Total of all companies	134	+183.1	+18.8	+18.6	+4.7
Apparel and accessories	20	+356.6	+10.6	+85.3	+6.6
Drugs	8	+198.0	+1.4	+29.1	+0.2
Eating and drinking places	11	+209.3	−1.0	+76.2	−13.3
Food	18	+108.6	+18.6	+11.0	+8.4
Furniture and house furnishings	6	+187.5	+12.5	+10.4	+5.9
General merchandise	64	+192.5	+21.7	+16.7	+5.7
Department stores	46	+356.0	+17.9	+62.5	+6.0
Limited-price variety stores	12	+123.4	+17.7	−8.2	+2.1
Mail-order houses	6	+127.5	+33.7	+4.6	+9.0
Other retail stores	7	+66.5	−11.8	−9.5	−19.8

TABLE XIII.—*Profits before and after taxes, 1936–39 average, 1943, and 1944—134 retail trade companies*

[Dollars in thousand]

Distribution by 1944 asset size	Number of companies	Profits before income taxes			Profits after taxes		
		1936–39 average	1943	1944	1936–39 average	1943	1944
Total of all companies	134	$267,597	$637,848	$757,665	$219,380	$248,553	$260,211
Under $5,000	39	5,262	22,690	23,247	4,088	[1] 8,249	[1] 7,957
$5,000 to $24,999	65	36,292	137,169	162,620	29,204	[1] 49,695	[1] 52,639
$25,000 to $49,999	14	32,243	86,413	104,542	26,472	[1] 28,309	[1] 32,416
$50,000 and over	16	193,800	[2] 391,576	467,256	159,616	[1] 162,300	167,199

[1] Before crediting refund of taxes due to carry-back of excess profits: Under $5,000, $18,000 in 1943, and $151,000 in 1944; $5,000 to $24,999, $272,000 in 1943 and $22,000 in 1944; $25,000 to $49,999, $136,000 in 1943 and $174,000 in 1944; $50,000 and over, $772,000.
[2] After renegotiation refund of $1,062,000.

NOTE.—Profits are shown before minority interest and contingency reserves, which are deemed to be nonallowable appropriations from current income.

Source: Division of Research, Office of Price Administration, Financial Analysis Branch.

TABLE XIV.—*Profits before and after taxes, 1936–39 average, 1943, and 1944—134 retail trade companies*

[Dollars in thousands]

Distribution by 1944 asset size	Number of companies	Profits before income taxes: Percent change to 1944 from—		Profits after taxes: Percent change to 1944 from—	
		1936–39 average	1943	1936–39 average	1943
Total of all companies	134	+183.1	+18.8	+18.6	+4.7
Under $5,000	39	+341.8	+2.5	+94.6	−3.5
$5,000 to $24,999	65	+348.1	+18.6	+80.2	+5.9
$25,000 to $49,999	14	+224.2	+21.0	+22.5	+14.5
$50,000 and over	16	+141.1	+19.3	+4.8	+3.0

TABLE XV.—*Percentage return on sales and net worth before and after taxes, 1936–39 average, 1942, and 1943*

Industrial group	Number of companies	Profits before income taxes as a percentage of—						Profits after taxes as a percentage of—					
		Net sales			Net worth [1]			Net sales			Net worth [1]		
		1936–39 average	1942	1943	1936–39 average	1942	1943	1936–39 average	1942	1943	1936–39 average	1942	1943
Trade	133	5.0	7.8	7.9	12.5	26.1	26.7	4.1	3.0	3.0	10.3	10.2	10.1
Retail	116	5.2	7.8	7.9	12.9	25.8	26.1	4.2	3.1	3.1	10.6	10.2	10.1
Apparel and accessories	18	4.2	8.7	9.8	13.0	36.0	40.1	3.3	3.1	3.3	10.4	12.8	13.4
Drugs	8	4.8	7.1	8.3	16.0	29.1	36.9	3.9	3.3	3.0	13.3	13.3	13.6
Eating and drinking places	10	4.3	5.9	8.4	6.0	10.8	17.5	3.4	3.5	4.7	4.8	6.4	9.7
Food [2]	15	1.6	2.3	2.2	8.6	18.8	17.6	1.3	1.0	1.0	7.0	8.2	8.3
Furniture and house-furnishings	6	5.8	10.9	14.3	8.3	17.6	22.8	4.7	2.7	4.6	6.8	4.3	7.3
General erchandise	55	6.3	9.7	9.6	13.7	27.0	26.6	5.2	3.8	3.6	11.3	10.5	10.1
Department stores	38	4.4	9.0	10.3	10.9	29.9	35.7	3.6	3.3	3.3	8.9	10.9	11.6
Limited variety stores	11	8.5	10.6	10.5	15.1	24.6	24.9	7.2	4.5	4.2	12.8	10.4	10.0
Mail order houses	6	6.7	9.7	7.9	15.4	26.5	19.7	5.3	3.8	3.5	12.2	10.3	8.8
Other retail stores	4	7.0	7.4	8.7	15.6	21.3	21.9	5.5	3.6	4.2	12.3	10.4	10.4
Wholesale	17	2.4	7.4	7.7	6.4	30.0	35.2	2.0	2.4	2.3	5.2	9.9	10.4

[1] Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. Calculations are based on the average of net worth at the beginning of each year.
[2] Represents food chains only. Since independent food stores are, for the most part, small and unincorporated, their profits are not reported in the usual sources.

Source: War Profits Study No. 11, Office of Price Administration. Basic data from OPA Financial Reports, Moody's Industrials, and Standard & Poor's Corporation Records.

TABLE XVI.—*Sales of retail stores by kinds of business, 1939 to 1944*

[Millions of dollars]

Kind of business	1939	1940	1941	1942	1943	1944
All retail stores	42,042	46,388	55,490	57,552	63,680	69,275
Durable goods stores	10,379	12,418	15,604	9,846	9,339	9,931
Automotive group	5,549	6,862	8,544	2,840	2,751	2,834
Motor vehicle dealers	5,025	6,286	7,794	2,171	2,003	1,983
Parts and accessories	524	576	750	669	748	851
Building materials and hardware group	2,735	3,108	3,862	3,799	3,366	3,588
Building materials	1,761	2,000	2,435	2,326	2,079	2,171
Farm implements	345	399	524	493	385	393
Hardware	629	709	903	980	902	1,024
Home furnishings group	1,733	2,022	2,611	2,453	2,258	2,507
Furniture and house furnishing	1,200	1,392	1,787	1,820	1,785	1,989
Household appliances and radios	533	630	824	633	473	518
Jewelry	362	426	587	753	964	1,002
Nondurable goods stores	31,663	33,970	39,886	47,706	54,341	59,344
Apparel group	3,259	3,441	4,157	5,193	6,323	6,814
Men's clothing and furnishings	840	886	1,096	1,296	1,497	1,602
Women's apparel and accessories	1,323	1,413	1,690	2,175	2,893	3,170
Family and other apparel	479	503	605	739	907	976
Shoes	617	639	766	983	1,026	1,066

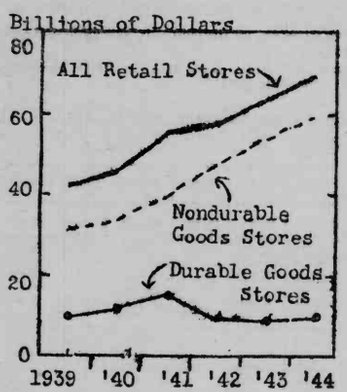
TABLE XVI.—*Sales of retail stores by kinds of business, 1939 to 1944*—Con.

[Millions of dollars]

Kind of business	1939	1940	1941	1942	1943	1944
Drug stores	1,563	1,637	1,821	2,185	2,588	2,845
Eating and drinking places	3,520	3,874	4,796	6,173	8,034	9,314
Food group	10,165	10,906	12,576	15,755	17,450	18,947
Grocery and combination	7,722	8,317	9,604	12,141	13,276	14,402
Other food	2,443	2,589	2,972	3,614	4,174	4,545
Filling stations	2,822	2,954	3,454	3,021	2,453	2,604
General merchandise group	6,475	6,847	7,931	9,015	9,977	10,853
Department, including mail order	3,975	4,266	5,027	5,566	6,132	6,763
General, including general merchandise with food	922	910	991	1,158	1,301	1,388
Other general merchandise and dry goods	601	636	738	943	1,119	1,208
Variety	977	1,035	1,175	1,348	1,425	1,494
Other retail stores	3,859	4,311	5,151	6,364	7,516	7,967
Feed and farm supply	779	885	1,101	1,660	2,272	2,319
Fuel and ice	1,014	1,140	1,260	1,475	1,600	1,489
Liquor	586	650	767	1,037	1,234	1,456
Book stores, news dealers, etc.	205	223	274	291	333	
Cigar stores	208	212	244	293	367	
Florists	149	164	194	229	268	2,703
Office equipment and supplies	208	255	346	320	281	
Other	710	782	965	1,059	1,161	

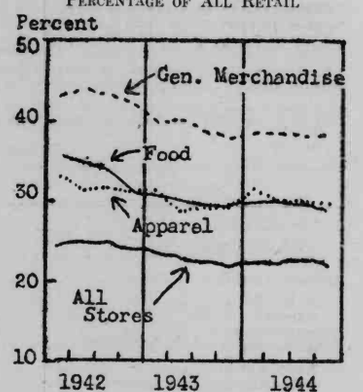
Source: Business Statistics Unit, Department of Commerce, Aug. 8, 1945.

CHART I. SALES OF RETAIL STORES



Source: United States Department of Commerce.

CHART II. CHAIN STORE SALES AS PERCENTAGE OF ALL RETAIL



Source: United States Department of Commerce.

Percentages are based upon seasonally adjusted dollar values.

EXHIBIT 68

STUDY OF PERSONAL AND OCCUPATIONAL CHARACTERISTICS OF UC CLAIMANTS AND JOB OPENINGS IN THREE CITIES

Prepared by War Manpower Commission

Sampling

The following active claims study is based on a random sample of slightly over 10 percent of the claimants reporting in Atlanta, Ga.; Columbus, Ohio; and Trenton, N. J.; during the week of October 8, 1945. The study also includes a similar sample of claims filed and becoming inactive during the 8 weeks of August 4 to September 29, 1945. The job-opening study comprises a 25 percent random sample in Atlanta and Columbus and 100 percent in Trenton.

High turn-over of unemployment compensation claims

In each of the three cities, slightly over 40 percent of the persons filing claims since VJ-day discontinued their claims during the 8-week period immediately following VJ-day. Of the claimants who discontinued reporting, 74 percent in Columbus to 93 percent in Atlanta were eligible to receive benefits, but only 16 percent to 21 percent drew any benefits. Of the eligible claimants, 53 percent in Columbus and 77 percent in Atlanta discontinued their claims before drawing any benefits. Only 7 percent in Atlanta and 26 percent in Columbus stopped reporting because of ineligibility or disqualification.

Women predominate among claimants

Most of the claimants were women. They represented 60 percent of the total in Atlanta, 69 percent in Trenton, and 77 percent in Columbus. By contrast, the great bulk of unfilled jobs was open to men only. Relatively few jobs—12 percent in Trenton, 9 percent in Atlanta, and less than 1 percent in Columbus—were open to both sexes. Of the job openings restricted to one of the sexes, from 60 to 81 percent specified men only.

The significance of the concentration of women in the claims load is made even clearer by comparison of the actual numbers of women available for work as compared to the jobs open to them.

	Number of women claimants	Number of jobs open for women
Trenton	5,655	1,867
Atlanta	2,593	2,411
Columbus	3,442	554
Total	11,690	4,832

Age of claimants reflects changing labor-market conditions

At the peak of wartime manpower shortages, the claims rolls included a large proportion of both old and very young workers. In Atlanta and Trenton, at least, this is no longer true. The majority of claimants in these areas now fall in the age groups in which earning power and employment opportunity are not generally restricted by age. More than half the men in Atlanta and Trenton were between 30 and 50 years of age; more than three-fourths of the women were between 20 and 45. Only 3 percent of the men in Trenton and 5 percent in Atlanta were 65 years of age or over, while 1 and 2 percent of the women in these areas, respectively, were 60 years or more.

Older claimants, on the other hand, are rather numerous in Columbus. Here as many as 18 percent of the men had reached 65 years of age, and an additional 34 percent had reached their fiftieth birthday. The average Columbus woman claimant, however, was like the women in Atlanta and Columbus, between 30 and 39 years of age.

A fear that unemployment benefits would discourage the return of young persons to school is not substantiated by these data. In none of the three areas were as many as 5 percent of the claimants under 20 years of age.

Bulk of claimants laid off from skilled or semiskilled jobs

A large majority of the claimants were last employed in a skilled or semiskilled job. More than a third of the Atlanta claimants last held skilled jobs, while an additional 44 percent had been laid off from semiskilled jobs. While there were relatively fewer skilled workers among the Trenton and Columbus claimants, the skilled and semiskilled among these claimants represented more than 70 percent of the total. Workers last employed in an unskilled occupation represented only 10 percent of the Columbus workers, 9 percent of the Trenton workers, and 3 percent of the Atlanta workers.

Prewar occupations differ from last occupation

As expected, the wartime occupation of many claimants was at a higher skill than their prewar job, and large proportions had been engaged in housework. Former housewives constituted from 21 to 35 percent of the claimants.

In Columbus, the greatest amount of occupational shifting had occurred among workers who had been employed on skilled war jobs. They made up 27 percent of the claimants, although only 5 percent had held a skilled job before the war. In Atlanta and Trenton, the proportion of skilled workers increased, but not so spectacularly, and the proportion of semiskilled workers increased somewhat. The proportion of unskilled workers among claimants did not change appreciably in Trenton or Columbus, but decreased significantly in Atlanta. Service occupations held their own in Trenton, but suffered significant losses in Atlanta and Columbus.

Job openings do not match claimants' skills

There were great disparities between the kinds of jobs available for claimants and the kinds of jobs last performed by them. For women, clerical, sales, and service jobs constituted from 40 to 61 percent of all the jobs open to them; yet only 15 to 18 percent of the women claimants had last worked in these fields. Jobs requiring high skills were all but closed to women claimants in Atlanta, notwithstanding that almost a fourth of them had last worked on a skilled job.

Three-fifths of the Trenton women claimants had performed semiskilled work; only a fourth of the openings called for this skilled level. Seventy percent of the Columbus women had handled a skilled or semiskilled job; only 28 percent of the openings were in these occupational classifications.

The situation was just as striking for the men claimants. Two percent of the Atlanta men had last been employed on an unskilled job; 59 percent of the job openings for men were classified as unskilled. In this same city although more than half the men claimants had worked on a skilled job, only 15 percent of the openings for men called for skilled workers. In Columbus, skilled workers, who made up almost half of all the men claimants, were required for only 7 percent of the job openings. In Trenton, although skilled workers were in relatively large demand (21 percent of openings, 28 percent of claimants), semiskilled workers were twice as numerous proportionately as the jobs calling for their skill level. As in Atlanta, more than 40 percent of the job openings were for unskilled workers.

There was a somewhat closer relationship between the prewar or usual occupations of the claimants and the occupations demanded for the available jobs. As far as women claimants were concerned, the dominant vote was that more than 40 percent in each of the three cities had been a housewife or had no work experience before the war. As a result, there appeared to be proportionately more skilled or semiskilled jobs available than there were women with prewar experience at such skill levels.

This picture is changed somewhat when the number of skilled or semiskilled women workers (based on prewar experience) is compared with the number of jobs open to them at these skills. There were more women claimants employed in a skilled or semiskilled job before the war than there were openings for them after the war in the present market.

The jobs open to men in the three areas represented less attractive employment opportunities than the men's prewar skills warranted except for skilled or semiskilled occupations in Trenton, which represented 45 percent of local male job openings. Thus, 49 percent of the Atlanta men had worked in a skilled or semiskilled capacity before the war, but only 30 percent of the present jobs called for those skills. By contrast, 59 percent of the jobs open to men were in unskilled occupations; only 11 percent had worked in these occupations before Pearl Harbor, and an additional 3 percent had not worked at all. These disparities were also apparent in Columbus, although not quite to such a marked degree. In all three cities, the number of clerical and selling jobs for men was very small in comparison with claimants' prewar pursuits.

Jobs offered pay much less than last job

If all the claimants were reemployed on the jobs listed with the employment service, they would be receiving a cut in take-home pay averaging from 34 to 49 percent for men and from 49 to 53 percent for women. These percentages are based on the following average (median) gross weekly earnings of claimants on their last jobs and for the job openings:

	Men		Women	
	Last jobs	Jobs open	Last jobs	Jobs open
Atlanta	$55.75	$28.30	$46.40	$21.70
Columbus	53.10	35.20	49.40	25.55
Trenton	62.30	37.15	56.90	29.00

Although the fabulous earnings sometimes ascribed to war workers are not in evidence among the cliffiaimants, their mosterecent take-home pay does appear mythical, in many cases, in comparison with wages paid for the open jobs. More than half of the Atlanta men earned more than $50 a week on their last jobs. Such wages can be earned on only 12 percent of the jobs open to men in Atlanta. More than half the jobs listed in Atlanta at present, however, pay $20 to $29 per week; and an additional 5 percent, less than $20. More than 60 percent of the Trenton men earned $60 a week or more on their last jobs. Nineteen out of twenty of the available jobs pay less than this amount, and two out of three pay less than $40. In Columbus the situation is about the same—the majority of claimants had recent earnings of $55 or more, but now only 7 percent of the jobs pay this much.

In Atlanta no jobs open to women pay as much as $45 per week; 70 percent of the women claimants had last earned this much. More than 40 percent of the jobs open to women offer less than $20; only 1 percent of the women claimants had had such low earnings. In Columbus no jobs open to "women only" offer as much as $40 per week; more than three-fourths of the Columbus women had last earned $40 a week or more. Trenton women claimants, the majority of whom had earned $55 per week or more, would receive this pay on less than 1 percent of the jobs open to them.

Some of these disparities are due to a reduction in the workweek from 48 to 40 hours and a consequent loss of premium overtime pay. By itself, however, such a reduction in hours results in only a 23-percent cut in weekly earnings. Hourly wage rates on open jobs, in fact, were 37 to 48 percent below wage rates last earned by the men and 43 to 52 percent below wage rates last earned by the women, on the average.

	Men		Women	
	Last jobs	Jobs open	Last jobs	Jobs open
Atlanta	$1.10	$0.57	$0.95	$0.46
Columbus	1.11	.72	.99	.54
Trenton	1.18	.75	1.05	.60

As with the gross weekly earnings, the prospects for reemployment at previous wage rates were considerably narrowed for many claimants. Wages of $1 or more, paid to 60 to 82 percent of the men claimants on their last jobs, were offered on only 10 to 13 percent of the jobs open to men. Although only 3 percent of the Atlanta men had last been paid at a rate of less than 60 cents an hour, these wages were offered on 63 percent of the openings.

Less than 1 percent of the women in Atlanta have been offered jobs paying 90 cents an hour or more; 68 percent had last earned this much. Two-thirds of the jobs open to women in this city paid less than 50 cents an hour. The situation was about the same in the other two cities. One percent of the jobs open to women in Columbus paid as much as 80 cents an hour; this wage, at least, had been paid 77 percent of the women claimants. Thirteen percent of the jobs open to the Trenton women offered an 80-cent wage or better; 78 percent had been employed at such rates.

EXHIBIT 69

RESOLUTION ON MINIMUM WAGE BILL

Whereas the Fair Labor Standards Act of 1938 has become obsolete and falls far short of the minimum hourly wage necessary to provide a decent and desirable standard of living in America today; and

Whereas it denies minimum-wage protection to a large segment of American workers; Therefore be it

Resolved, That the District of Columbia branch of the National Association for the Advancement of Colored People endorses the Pepper minimum wage bill, S. 1349, and its companion, H. R. 3914, with the exception of that sentence beginning at line 8 of page 8 of S. 1349 and line 10 of page 8 of H. R. 3914, which we recommend be amended to read: "No classification shall be made under this section on the basis of age, sex, race, or national origin."

Adopted: District of Columbia branch, National Association for the Advancement of Colored People.

ALFRED E. SMITH, *Secretary.*

EXHIBIT 70

OCTOBER 22, 1945.

The National Council of Negro Women urges immediate revision of the 40-cent minimum wage provided in the Wage and Hour Act. We support President Truman in branding the 40-cent minimum as inadequate and join him in calling upon Congress to amend the act to achieve fair labor standards in order to guarantee an economy of full production.

We give support to the provisions of S. 1349 and H. R. 3914, which call for a 65-cent minimum now, to 70 cents after 1 year and to 75 cents after 2 years.

We also support the view that the coverage of the act should be extended to include workers not now protected, including children employed by telegraph companies.

We are in accord with the idea of a uniform 5-year period of limitation, within which workers may recover wages due from employers who violate the law.

The National Council of Negro Women believes that if these provisions are passed by Congress we will be well on our way to protecting our national purchasing power and to guaranteeing an abundance for all.

MARY MCLEOD BETHUNE,
Founder-President, National Council of Negro Women.

EXHIBIT 71

NATIONAL LEAGUE OF WOMEN VOTERS,
Washington, D. C., October 24, 1945.

Hon. JAMES M. TUNNELL,
Chairman, Subcommittee of the Committee on Education and Labor, United States Senate, Washington, D. C.

DEAR SENATOR TUNNELL: The National League of Women Voters, which is made up of 550 affiliated leagues, would like to urge the passage of that section of S. 1349 which propose to amend section 12 of the Fair Labor Standards Act.

One of the special responsibilities which the League of Women Voters has long urged as a responsibility of government, in the general interest, is control of child labor. The present Fair Labor Standards Act forbids the shipment in interstate commerce of goods produced by child labor, but it does not specifically forbid an employer from engaging children. The proposed amendment would directly forbid any employer engaged in interstate commerce from employing any oppressive child labor as now defined by the act in or about or in connection with any enterprise in which he is engaged.

Under the existing act there are loopholes, as was clearly demonstrated by the Supreme Court decision in the Western Union case. If the employer is engaged in interstate commerce but is not actually producing and shipping goods in commerce, the children in his employ are deprived of the protection of the act. The consequence is that children under 16 may be given jobs which endanger their health and their ultimate development. The proposed amendment would simply carry out what must have been the intent of Congress when it enacted the original Fair Labor Standards Act: To protect the young people of the country. It will expand that protection to include as many businesses as are now covered by the wage-and-hour provisions of the act.

We strongly urge the passage of this amendment.

Sincerely yours,

ANNA LORD STROUSS, *President.*

EXHIBIT 72

BIENNIAL REPORT (YEARS 1943–44) OF THE SUPERVITOR OF TELEPHONES TO THE RAILROAD AND WAREHOUSE COMMISSION OF THE STATE OF MINNESOTA, FOR THE BIENNIUM ENDED NOVEMBER 30, 1944

(Railroad and Warehouse Commission of the State of Minnesota: N. J. Holmberg, (chairman), St. Paul; Frank W. Matson, St. Paul; Ray P. Chase, Anoka; Oliver A. Ossanna (secretary), Minneapolis. Telephone department: A. N. Fancher, supervisor; Lucille Koepp, clerk-stenographer; B. F. Baesler, accountant)

TELEPHONE DEPARTMENT,
OFFICE OF SUPERVISOR OF TELEPHONES,
St. Paul, Minn., November 30, 1944.

To the Railroad and Warehouse Commission of the State of Minnesota, St. Paul, Minn.

GENTLEMEN: I herewith submit to your honorable body the report of the telephone department for the biennium ended November 30, 1944. For convenience of reference and analysis there is included a brief summary of the applications, petitions, complaints, and inquiries relating to telephone subjects filed with the commission during the period.

During the period covered by this report, the department has received 745 applications, petitions, and inquiries relating to telephone matters. These are classified as follows:

	1943	1944	2 years
Service complaints		1	1
Indeterminate permits		2	2
Change in rates	10	7	17
Purchase and sale	14	14	28
Miscellaneous	3		3
Total formal cases	27	24	51
Informal rate matters	30	25	55
Other informal matters	329	310	639
Total	386	359	745

Respectfully submitted.

A. N. FANCHER,
Supervisor of Telephones.

Number of telephone companies reporting, exchanges operated, and stations served in the State of Minnesota as of Dec. 31, 1942 and 1943

	Number of companies	Number of exchanges operated	Number of company-owned stations
Company classification (1942):			
A	1	192	442,059
B	11	71	39,919
C	46	97	38,183
D	74	94	20,769
E	96	101	11,586
F	1,867	111	44,374
Total 1942	2,095	666	596,890
Company classification (1943):			
A	1	192	462,972
B	11	72	41,095
C	46	93	39,422
D	74	94	21,483
E	96	100	11,934
F	1,851	111	45,657
Total 1943	2,079	662	622,563

Formal orders

Docket No	Company	Exchange	Date
	SERVICE COMPLAINTS		
M-2650	Wastedo Telephone Co	Wastedo	Aug. 29, 1944
	INTERMEDIATE PERMITS ISSUED		
M-2635	Northwestern Bell Telephone Co	Beaver Creek	Dec. 2, 1943
M-2657	Citizens Telephone Co	Maynard	Oct. 2, 1944
	RATE REVISIONS AUTHORIZED		
M-2613	Home Telephone Co	Grand Meadow	Dec. 31, 1942
M-2614	Comfrey Rural Telephone Co	Comfrey	Do.
M-2615	Milan Mutual Telephone Co	Milan	Do.
M-2624	Stacy Telephone Co	Stacy	July 31, 1943
M-2632	Glyndon Telephone Exchange	Glyndon	Jan. 1, 1944
M-2634	Farmers & Merchants Telephone Co	Lanesboro	Dec. 31, 1943
M-2640	Garvin Telephone Co	Garvin	Mar. 31, 1944
M-2642	Union Telephone Co	Osage	May 1, 1944
M-2645	Cannon Falls Telephone Co	Cannon Falls	June 30, 1944
M-2647	Hanska Rural Telephone Co	Hanska	Do.
M-2649	Winsted Telephone Co	Winsted	July 1, 1944
M-2655	Akeley Telephone Co	Akeley	Oct. 31, 1944
M-2659	Hammond Telephone Exchange	Hammond	Dec. 31, 1944

Formal orders—Continued

Docket No.	Sales and transfers authorized
M-2599	Green Lake Union Telephone Co., seller; Green Lake Telephone Exchange, purchaser; telephone line serving 10 subscribers. Dec. 18, 1942.
M-2616	H. A. Edlund, an individual purchaser, C. L. Rupe, individual owner of the Northome Telephone Co. Feb. 11, 1943.
M-2617	Elmer O. Lukkasson, Jr., an individual purchaser, H. A. Edlund, individual owner of the Northome Telephone Co., Feb. 11, 1943.
M-2619	Maine-Star Lake Telephone Co., seller; Maine Co-operative Telephone Co., purchaser. Feb. 26, 1943.
M-2621	Home Telephone Co., a corporation, seller; Lucas Telephone Co., purchaser, rural lines in the vicinity of Cottonwood. Apr. 13, 1943.
M-2623	Tintah Telephone Co., a corporation, seller; Albert G. Ewert, an individual purchaser. Apr. 21, 1943.
M-2626	Euclid Telephone Co., Mrs. Anne Palen Hardin, individual owner, seller; Ed Hoeft, et al., purchaser. Euclid Telephone Exchange. June 28, 1943.
M-2627	Leo A. Frank, individual owner, St. Clair Telephone Co., seller; Eugene A. Fitzhoff, an individual purchaser, St. Clair Telephone Exchange, July 1, 1943.
M-2628	Central West Co., a corporation, seller; L. J. Ollig, an individual purchaser, Lake Benton Exchange. July 1, 1943.
M-2629	Northwestern Bell Telephone Co., purchaser; Pine Tree Lake Co-operative Telephone Co., seller, rural line in the vicinity of Stillwater. July 29, 1943.
M-2630	Northwestern Bell Telephone Co., purchaser; Farmers Telephone Co., seller, certain rural lines in the vicinity of Rochester. Sept. 7, 1943.
M-2631	Akeley Telephone Co., seller; Leo C. Fischer, an individual purchaser, Akeley Telephone Exchange. Sept. 20, 1943.
M-2632	Glyndon Telephone Exchange, seller; F. L. Wetch, an individual purchaser, Glyndon Telephone Exchange. Nov. 9, 1943.
M-2633	Kandiyohi County Telephone Co., seller; Kandiyohi County Public Service Co., purchaser, all the assets of the Kandiyohi County Telephone Co. Nov. 15, 1943.
M-2636	Douglas County Telephone Co., seller; Gardonville Cooperative Telephone Association, purchaser, all the assets of the Douglas County Telephone Co. Dec. 14, 1943.
M-2637	Terrace Telephone Co., seller; Terrace Co-operative Telephone Association, purchaser, all the assets of the Terrace Telephone Co. Jan. 29, 1944.
M-2638	Felton Rural Telephone Co., seller; Ansgar J. Borgen, an individual purchaser, Felton Telephone Exchange. Feb. 2, 1944
M-2639	Dead Lake & Rush Lake Telephone Co., seller; Dent Star Lake Telephone Co., purchaser, all the assets of the Dead Lake & Rush Lake Telephone Co. Feb. 2, 1944.
M-2641	Knife Lake & Whited Telephone Co., seller; East Knife Lake Telephone Co., purchaser, all the assets of the Knife Lake & Whited Telephone Co. Apr. 17, 1944.
M-2643	Northwestern Bell Telephone Co., purchaser; Cannon Valley Line, seller, rural line in the vicinity of Northfield. Apr. 17, 1944.
M-2644	Effington Mutual Telephone Co., seller; Effington Telephone Co., purchaser, rural lines in the vincinity of Parkers Prairie. Apr. 28, 1944.
M-2646	Ruthton Telephone Co., seller; Deuth Telephone Co., purchaser, telephone properties located in the village of Holland. May 11, 1944.
M-2648	Argyle Telephone Co., seller; V. L. Bradley, an individual purchaser, Argyle Exchange. June 12, 1944.
M-2650	Wastedo Telephone Co., seller; Cannon Falls Telephone Co., purchaser, rural lines in the vicinity of Wastedo. Oct. 2, 1944.
M-2651	Farmers Telephone Co., seller, Clara City Telephone Exchange Co., purchaser, all the assets of the Farmers Telephone Co. located in the vicinity of Clara City. July 6, 1944.
M-2652	Rheiderland Telephone Co., seller; Clara City Telephone Exchange Co., purchaser, all the assets of the Rheiderland Telephone Co. located in the vicinity of Clara City. July 6, 1944.
M-2653	Kandiyohi & Chippewa Telephone Co., seller; Clara City Telephone Exchange Co., purchaser, all the assets of the Kandiyohi & Chippewa Telephone Co. located in the vicinity of Clara City. July 6, 1944.
M-2654	Central Electric & Telephone Co., seller; Central Telephone Co., purchaser, all the assets of the Central Electric & Telephone Co. located in the State of Minnesota. Aug. 22, 1944.
	MISCELLANEOUS CASES
M-2618	Application of the Westport Telephone Co. for permission to close its office in the village of Westport. Feb. 16, 1943.
M-2620	Petition of V. Keith Scott et al. for telephone service and connection with the Sand Lake Township Telephone System. Aug. 2, 1943.

Summary of class A and B telephone companies for the year ended Dec. 31, 1942

[Class A companies are those having average annual revenues in excess of $250,000; class B companies are those having average annual revenues in excess of $50,000, but not more than $250,000]

GENERAL BALANCE SHEET

No.[1]	Name of company	General office	Assets				
			Fixed capital Dec. 31, 1942			Other assets	Total assets
			Land and buildings	Other plant and equipment	Total		
	CLASS A COMPANY						
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	[2] $20,157,114	[2] $174,800,101	[2] $194,957,215	[2] $17,237,312	[2] $212,194,527
	Total (1) class A company		20,157,114	174,800,101	194,957,215	17,237,312	212,194,527
	CLASS B COMPANIES						
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	11,229	193,372	204,600	62,433	267,034
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	[2] 330,807	[2] 4,303,491	[2] 4,634,298	[2] 10,279,126	[2] 14,913,424
S 285	Duluth, Missabe & Iron Range Ry. Co. Telephone System	Duluth, Minn	19,471	520,493	539,964	8,351	548,315
S 122	Fairmont Telephone Co	Fairmont, Minn	26,919	257,737	284,656	66,336	350,992
C-O 318	Garden Valley Telephone Co	Erskine, Minn	36,749	359,985	396,734	25,980	422,714
S 100	International Telephone Co	Int'l Falls, Minn	5,409	116,786	122,189	24,425	146,614
S 20	Mankato Citizens Telephone Co	Mankato, Minn	96,716	926,611	1,023,327	83,618	1,106,945
S 117	McLeod County Telephone Co	Glencoe, Minn	12,774	235,204	247,978	21,690	269,668
S 2456	Minnesota Community Telephone Co	Waterville, Minn	20,852	345,815	366,667	106,105	472,772
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	30,963	273,904	304,867	76,359	381,226
S 740	Worthington Telephone Co	Worthington, Minn	48,867	189,603	238,470	26,615	265,085
	Total (11) class B companies		640,756	7,722,995	8,363,751	10,781,038	19,144,789

No.[1]	Name of company	General office	Liabilities					
			Capital stock	Funded debt	Depreciation reserve	Other liabilities	Corporate surplus	Total liabilities
	CLASS A COMPANY							
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	[2] $125,000,000		[2] $61,049,482	[2] $21,251,037	[2] $4,894,008	[2] $212,194,527
	Total (1) class A company		125,000,000		61,049,482	21,251,037	4,894,008	212,194,527
	CLASS B COMPANIES							
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	100,000		103,840	21,499	41,695	267,034
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	[2] 3,973,022	[2] $5,350,000	[2] 899,166	[2] 3,090,319	[1] 1,600,917	[2] 14,913,424
S 285	Duluth, Missabe & Iron Range Ry. Co. Telephone System	Duluth, Minn			354,429	205,677	[3] 11,791	548,315
S 122	Fairmont Telephone Co	Fairmont, Minn	150,000		125,403	47,896	27,693	350,992
C-O 318	Garden Valley Telephone Co	Erskine, Minn	128,190		231,646	45,917	16,961	422,714
S 100	International Telephone Co	International Falls, Minn.	10,000		55,798	14,891	65,925	146,614
S 20	Mankato Citizens Telephone Co	Mankato, Minn	329,000	220,000	348,405	64,503	145,037	1,106,945
S 117	McLeod County Telephone Co	Glencoe, Minn	78,350	100,000	56,188	11,261	23,869	269,668
S 2456	Minnesota Community Telephone Co	Waterville, Minn	100,000		76,436	287,793	8,543	472,772
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	122,900		100,208	8,026	150,092	381,226
S 740	Worthington Telephone Co	Worthington, Minn	90,000	80,282	82,291	3,204	9,308	265,085
	Total (11) class B companies		5,081,462	5,750,282	2,433,810	3,800,986	2,078,249	19,144,789

Footnotes at end of table.

Summary of class A and B telephone companies for the year ended Dec. 31, 1942—Continued

INCOME ACCOUNT

No.[1]	Name of company	General office	Operating income			Income deductions: Operating expenses					
			Operating revenues	Other income	Total	Maintenance	Depreciation	Traffic	Commercial	General office and other operating expense	Total operating expenses
	CLASS A COMPANY										
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	$21,463,433		$21,463,433	$4,548,482	$2,885,364	$3,388,270	$1,722,466	$2,332,773	$14,877,355
	Total (1) class A company		21,463,433		21,463,433	4,548,482	2,885,364	3,388,270	1,722,466	2,332,773	14,877,355
	CLASS B COMPANIES										
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	73,157	1,893	75,050	11,691	5,406	23,235		10,635	50,967
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	217,974		217,974	32,938	38,021	37,712	15,527	17,736	141,934
S 285	Duluth, Missabe & Iron Range Ry. Co. Telephone System.	Duluth, Minn	106,648	15,111	121,759	45,458	23,653	39,686		21,110	129,907
S 122	Fairmont Telephone Co	Fairmont, Minn	81,696	1,056	82,752	6,524	11,514	20,929	6,649	13,049	58,665
C-O 318	Garden Valley Telephone Co	Erskine, Minn	88,221		88,221	21,908	13,349	25,659	3,010	7,300	71,226
S 100	International Telephone Co	International Falls, Minn.	54,844	1,011	55,855	12,331	4,916	8,673		14,476	40,396
S 20	Mankato Citizens Telephone Co	Mankato, Minn	227,809		227,809	46,700	29,788	15,285	18,521	16,306	126,600
S 117	McLeod County Telephone Co	Glencoe, Minn	57,194	76	57,270	7,817	7,121	10,167		11,639	36,744
S 2456	Minnesota Community Telephone Co	Waterville, Minn	85,016		85,016	10,877	14,589	18,658	5,243	9,064	58,431
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	61,190	1,010	62,200	9,278	11,137	11,764	943	11,322	44,444
S 740	Worthington Telephone Co	Worthington, Minn	55,448	32	55,480	6,592	6,704	10,687		11,764	35,747
	Total (11) class B companies		1,109,197	20,189	1,129,386	212,114	166,198	222,455	49,893	144,401	795,061

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No.[1]	Name of company	General office	Income deductions					Net income for return		Dividends	Interest
			Taxes		Uncollectibles	Miscellaneous deductions	Total deductions	Amount	Percent		
			State	Federal							
	CLASS A COMPANY										
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	$1,671,336	$1,816,808	$50,836	$223,585	$18,639,920	$2,823,513	3.27	[2] $5,000,000	[2] $369,090
	Total (1) class A company		1,671,336	1,816,808	50,836	223,585	18,639,920	2,823,513	[4] 3.27	5,000,000	369,090
	CLASS B COMPANIES										
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	4,311	5,535			60,813	14,237	6.96	14,000	
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	10,621	19,567	545		172,667	45,307	4.30	[2] 268,912	[2] 204,225
S 285	Duluth, Missabe & Iron Range Ry. Co. Telephone System.	Duluth, Minn	4,404	5,634			139,945	[3] 18,186	[3] 3.37		
S 122	Fairmont Telephone Co	Fairmont, Minn	4,912	5,999	48		69,624	13,128	4.61	12,000	221
C-O 318	Garden Valley Telephone Co	Erskine, Minn	5,740	4,646			81,612	6,609	1.67	4,929	1,679
S 100	International Telephone Co	International Falls, Minn.	2,928	3,346	753	1,618	49,041	6,814	5.58		1
S 20	Mankato Citizens Telephone Co	Mankato, Minn	18,131	36,007	1,083		181,821	45,988	4.49	26,920	7,528
S 117	McLeod County Telephone Co	Glencoe, Minn	3,491	3,730	110		44,075	13,195	5.32	4,737	4,280
S 2456	Minnesota Community Telephone Co	Waterville, Minn	4,434	982	[3] 302		63,545	21,471	5.86	2,000	19,180
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	3,717	3,062	84		51,307	10,893	3.57	8,603	
S 740	Worthington Telephone Co	Worthington, Minn	3,068	3,838	230		42,883	12,597	5.28	6,900	3,215
	Total (11) class B companies		65,757	92,346	2,551	1,618	957,333	172,053	[5] 3.60	349,001	240,329

Footnotes at end of table.

Summary of class A and B telephone companies for the year ended Dec. 31, 1942—Continued

AVERAGES PER COMPANY-OWNED STATION

No.[1]	Name of company	General office	Total plant and equipment	Operating income total	Maintenance	Depreciation	Traffic	Commercial	General Office salaries and other operating expenses	Total operating expenses
	CLASS "A" COMPANY									
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	$195.33	$48.55	$10.29	$6.53	$7.66	$3.89	$5.28	$33.65
	Total (1) class A company		195.33	48.55	10.29	6.53	7.66	3.89	5.28	33.65
	CLASS "B" COMPANIES									
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	87.81	32.21	5.02	2.32	9.97		4.56	21.87
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	132.10	27.33	4.13	4.76	4.73	1.95	2.22	17.79
S 285	Duluth, Missabe & Iron Range Ry Co. Telephone System	Duluth, Minn	163.18	36.80	13.74	7.15	11.99		6.38	39.26
S 122	Fairmont Telephone Co	Fairmont, Minn	105.62	30.71	2.42	4.27	7.77	2.47	4.84	21.77
C-O 318	Garden Valley Telephone Co	Erskine, Minn	91.10	20.26	5.03	3.06	5.89	.69	1.68	16.35
S 100	International Telephone Co	International Falls, Minn.	71.12	32.51	7.18	2.86	5.05		8.42	23.51
S 20	Mankato Citizens Telephone Co	Mankato, Minn	138.49	30.83	6.32	4.02	2.07	2.51	2.21	17.13
S 117	McLeod County Telephone Co	Glencoe, Minn	108.52	25.06	3.42	3.12	4.45		5.09	16.08
S 2456	Minnesota Community Telephone Co	Waterville, Minn	126.22	29.27	3.74	5.02	6.42	1.80	3.13	20.11
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	96.02	19.56	2.92	3.50	3.71	.30	3.57	14.00
S 740	Worthington Telephone Co	Worthington, Minn	133.90	31.15	3.70	3.76	6.00		6.61	20.07
	Total (11) class B companies		119.82	28.29	5.31	4.16	5.57	1.25	3.62	19.91

STATION AND CENTRAL OFFICE STATISTICS

No.[1]	Name of company	General office	Number of company-owned stations	Number of service stations	Number of central offices		
					Common battery	Magneto	Automatic
	CLASS "A" COMPANY						
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	442,059	20,586	81	37	74
	Total (1) class A company		442,059	20,586	81	37	74
	CLASS "B" COMPANIES						
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	2,330	1,156	4		
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	7,977	921	4	16	
S 285	Duluth, Missabe & Iron Range Ry Co Telephone System	Duluth, Minn	3,309	139	3	1	
S 122	Fairmont Telephone Co	Fairmont, Minn	2,695	666	1	1	
C-O 318	Garden Valley Telephone Co	Erskine, Minn	4,355	141	3	15	
S 100	International Telephone Co	International Falls, Minn.	1,718		1		
S 20	Mankato Citizens Telephone Co	Mankato, Minn	7,389	493		3	2
S 117	McLeod County Telephone Co	Glencoe, Minn	2,285		1	3	2
S 2456	Minnesota Community Telephone Co	Waterville, Minn	2,905	48	2	7	
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	3,175		1		
S 740	Worthington Telephone Co	Worthington, Minn	1,781	211	1		
	Total (11) class B companies		39,919	3,775	21	46	4

[1] S indicates stock company. C-O indicates cooperative company.
[2] Company as a whole. All other figures Minnesota only.
[3] Indicates reverse entry.
[4] Rate of return calculated on Minnesota investment only, or $86,345,237.
[5] Rate of return calculated on Minnesota investment only, or $4,783,244 (Central Electric & Telephone Co., $1,053,791).

Summary of class A and B telephone companies for the year ended Dec. 31, 1943

[Class A companies are those having average annual revenues in excess of $250,000; class B companies are those having average annual revenues in excess of $50,000, but not more than $250,000]

GENERAL BALANCE SHEET

No.[1]	Name of company	General office	Assets				
			Fixed capital Dec. 31, 1943			Other assets	Total assets
			Land and buildings	Other plant and equipment	Total		
	CLASS "A" COMPANY						
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	[2] $20,215,421	[2] $176,923,879	[2] $197,139,300	[2] $19,448,485	[2] $216,587,785
	Total (1) class A company		20,215,421	176,923,879	197,139,300	19,448,485	216,587,785
	CLASS "B" COMPANIES						
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	11,315	196,984	208,299	70,308	278,607
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	[2] 329,075	[2] 4,325,007	[2] 4,654,082	[2] 10,185,039	[2] 14,839,121
S 285	Duluth, Missabe & Iron Range Railway Co. Telephone System.	Duluth, Minn	28,146	521,642	549,788	9,231	559,019
S 122	Fairmont Telephone Co	Fairmont, Minn	31,202	280,040	311,242	43,443	354,685
C-O 318	Garden Valley Telephone Co	Erskine, Minn	37,049	362,301	399,350	19,153	418,503
S 100	International Telephone Co	International Falls, Minn.	5,409	116,965	122,374	27,752	150,126
S 20	Mankato Citizens Telephone Co	Mankato, Minn	96,716	942,030	1,038,746	110,224	1,148,970
S 117	McLeod County Telephone Co	Glencoe, Minn	12,716	242,218	254,934	22,698	277,632
S 2456	Minnesota Community Telephone Co	Waterville, Minn	19,791	357,057	376,848	103,772	480,620
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	31,051	276,625	307,676	80,921	388,597
S 740	Worthington Telephone Co	Worthington, Minn	34,615	196,709	231,324	37,607	268,931
	Total (11) class B companies		637,085	7,817,578	8,454,663	710,148	19,164,811

No.[1]	Name of company	General office	Liabilities					
			Capital stock	Funded debt	Depreciation reserve	Other liabilities	Corporate surplus	Total liabilities
	CLASS "A" COMPANY							
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	[2] $125,000,000		[2] $66,380,188	[2] $20,495,210	[2] $4,712,387	[2] $216,587,785
	Total (1) class A company		125,000,000		66,380,188	20,495,210	4,712,387	216,587,785
	CLASS "B" COMPANIES							
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	100,000		106,532	29,294	42,781	278,607
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	[2] 4,055,903	[2] $5,350,000	[2] 1,016,513	[2] 2,644,161	[2] 1,772,544	[2] 14,839,121
S 285	Duluth, Missabe & Iron Range Railway Co. Telephone System.	Duluth, Minn			376,215	216,206	[3] 33,402	559,019
S 122	Fairmont Telephone Co	Fairmont, Minn	150,000		121,146	51,570	31,969	354,685
C-O 318	Garden Valley Telephone Co	Erskine, Minn	127,890		240,687	31,275	18,651	418,503
S 100	International Telephone Co	International Falls, Minn.	10,000		60,801	12,713	66,612	150,126
S 20	Mankato Citizens Telephone Co	Mankato, Minn	329,800	210,000	373,436	76,989	158,745	1,148,970
S 117	McLeod County Telephone Co	Glencoe, Minn	78,161	100,000	62,258	13,468	23,745	277,632
S 2456	Minnesota Community Telephone Co	Waterville, Minn	100,000		76,812	293,035	10,773	480,620
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	122,900		105,430	9,871	150,396	388,597
S 740	Worthington Telephone Co	Worthington, Minn	90,000	78,181	78,231	4,390	18,129	268,931
	Total (11) class B companies		5,164,654	5,738,181	2,618,061	3,382,972	2,260,943	19,164,811

Footnotes at end of table.

Summary of class A and B telephone companies for the year ended Dec. 31, 1943—Continued

INCOME ACCOUNT

No.[1]		Name of company	General office	Operating income			Income deductions: Operating expenses					
				Operating revenues	Other income	Total	Maintenance	Depreciation	Traffic	Commercial	General office and other operating expense	Total operating expenses
		CLASS "A" COMPANY										
S	83	Northwestern Bell Tel. Co	Omaha, Nebr	$22,886,327		$22,886,327	$4,287,485	$2,952,162	$3,796,212	$1,810,183	$2,374,064	$15,220,106
		Total (1) class A company		22,886,327		22,886,327	4,287,485	2,952,162	3,796,212	1,810,183	2,374,064	15,220,106
		CLASS "B" COMPANIES										
S	58	Blue Earth Valley Telephone Co	Blue Earth, Minn	83,700		83,700	12,389	5,416	24,958		10,816	53,579
S	320	Central Electric & Telephone Co	Sioux Falls, S. Dak	235,472		235,472	35,818	38,094	42,230	15,936	19,804	151,882
S	285	Duluth, Missabe & Iron Range Ry. Co. Telephone System.	Duluth, Minn	109,490		109,490	44,037	24,010	44,102		23,918	136,067
S	122	Fairmont Telephone Co	Fairmont, Minn	93,066		93,066	8,520	11,412	22,841	7,521	12,036	62,330
C-O	318	Garden Valley Telephone Co	Erskine, Minn	92,411		92,411	22,006	11,010	31,443	4,148	7,430	76,037
S	100	International Telephone Co	International Falls, Minn.	55,176		55,176	9,998	5,003	9,895		15,022	39,918
S	20	Mankato Citizens Telephone Co	Mankato, Minn	238,999		238,999	46,555	29,515	16,192	19,451	15,333	127,046
S	117	McLeod County Telephone Co	Glencoe, Minn	60,884		60,884	15,248	7,297	11,411		12,089	46,045
S	2456	Minnesota Community Telephone Co	Waterville, Minn	94,926		94,926	12,237	14,363	19,029	5,361	8,876	59,866
S	24	New Ulm Rural Telephone Co	New Ulm, Minn	63,340		63,340	11,768	8,706	13,914	962	12,220	47,570
S	740	Worthington Telephone Co	Worthington, Minn	62,558		62,558	8,692	5,357	12,568		13,312	39,929
		Total (11) class B companies		1,190,022		1,190,022	227,268	160,183	248,583	53,379	150,856	840,269

No.[1]		Name of company	General office	Income deductions					Net income for return		Dividends	Interest
				Taxes		Uncollectibles	Miscellaneous deductions	Total deductions	Amount	Percent		
				State	Federal							
		CLASS "A" COMPANY										
S	83	Northwestern Bell Telephone Co	Omaha, Nebr	$1,820,475	$2,838,226	$30,162	$209,617	$20,118,586	$2,767,741	3.16	[2] $5,625,000	[2] $240,422
		Total (1) class A company		1,820,475	2,838,226	30,162	209,617	20,118,586	2,767,741	[4] 3.16	5,625,000	240,422
		CLASS "B" COMPANIES										
S	58	Blue Earth Valley Telephone Co	Blue Earth, Minn	5,038	9,687			68,034	15,396	7.39	16,000	
S	320	Central Electric & Telephone Co	Sioux Falls, S. Dak	11,165	21,457	2.83		184,787	50,685	4.76	268,912	208,231
S.	285	Duluth, Missabe & Iron Range Ry. Co. Telephone System.	Duluth, Minn	4,533	5,734			146,334	[3] 35,844	[3] 6.70		
S	122	Fairmont Telephone Co	Fairmont, Minn	5,795	8,704	3		76,832	16,234	5.22	4,000	561
C-O	318	Garden Valley Telephone Co	Erskine, Minn	5,807	2,766			84,610	7,801	1.95	5,108	800
S	100	International Telephone Co	International Falls, Minn.	2,444	514	260	1,635	44,771	10,405	8.50	10,000	
S	20	Mankato Citizens Telephone Co	Mankato, Minn	18,597	44,682	488		190,813	48,186	4.64	26,984	7,258
S	117	McLeod County Telephone Co	Glencoe, Minn	3,311	1,792	497		51,645	9,239	3.62	4,699	4,280
S	2456	Minnesota Community Telephone Co	Waterville, Minn	5,116	3,598	[3] 61		68,519	26,407	7.01	5,000	19,180
S	24	New Ulm Rural Telephone Co	New Ulm, Minn	4,053	4,467			56,090	7,250	2.36	8,603	
S	740	Worthington Telephone Co	Worthington, Minn	3,349	3,825	435		47,538	15,020	6.49	8,100	3,177
		Total (11) class B companies		69,208	107,226	1,905	1,635	1,020,243	169,779	[3] 3.49	357,406	243,487

Footnotes at end of table.

Summary of class A and B telephone companies for the year ended Dec. 31, 1943—Continued

AVERAGES PER COMPANY-OWNED STATION

No.[1]	Name of company	General office	Total plant and equipment	Operating income total	Maintenance	Depreciation	Traffic	Commercial	General office salaries and other operating expense	Total operating expenses
	CLASS "A" COMPANY									
83	Northwestern Bell Telephone Co	Omaha, Nebr	$189.02	$49.43	$9.26	$6.38	$8.20	$3.91	$5.13	$32.88
	Total (1) class A company		189.02	49.43	9.26	6.38	8.20	3.91	5.13	32.88
	CLASS "B" COMPANIES									
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	84.99	34.15	5.06	2.21	10.18		4.41	21.86
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	129.48	28.66	4.36	4.64	5.14	1.94	2.41	18.49
S 285	Duluth, Missabe & Iron Range Ry. Co. Telephone System	Duluth, Minn	168.91	33.64	13.53	7.37	13.55		7.35	41.80
S 122	Fairmont Telephone Co	Fairmont, Minn	110.14	32.93	3.01	4.04	8.08	2.66	4.26	22.05
C-O 318	Garden Valley Telephone Co	Erskine, Minn	88.86	20.56	4.90	2.45	7.00	.92	1.65	16.92
S 100	International Telephone Co	International Falls, Minn.	71.15	32.08	5.81	2.91	5.75		8.73	23.20
S 20	Mankato Citizens Telephone Co	Mankato, Minn	135.10	31.08	6.05	3.84	2.11	2.53	1.99	16.52
S 117	McLeod County Telephone Co	Glencoe, Minn	110.50	26.39	6.61	3.16	4.95		5.24	19.96
S 2456	Minnesota Community Telephone Co	Waterville, Minn	124.21	31.29	4.03	4.73	6.27	1.77	2.93	19.73
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	95.02	19.56	3.63	2.69	4.30	.30	3.77	14.69
S 740	Worthington Telephone Co	Worthington, Minn	124.03	33.54	4.66	2.87	6.74		7.14	21.41
	Total (11) class B companies		118.37	28.96	5.53	3.90	6.05	1.30	3.67	20.45

STATION AND CENTRAL OFFICE STATISTICS

No.[1]	Name of company	General office	Number of company-owned stations	Number of service stations	Number of central offices		
					Common battery	Magneto	Automatic
	CLASS "A" COMPANY						
S 83	Northwestern Bell Telephone Co	Omaha, Nebr	462,972	21,327	81	36	75
	Total (1) class A company		462,972	21,327	81	36	75
	CLASS "B" COMPANIES						
S 58	Blue Earth Valley Telephone Co	Blue Earth, Minn	2,451	1,171	4		
S 320	Central Electric & Telephone Co	Sioux Falls, S. Dak	8,216	943	2	18	
S 285	Duluth, Missabe & Iron Range Ry. Co. Telegraph System	Duluth, Minn	3,255	134	3	1	
S 122	Fairmont Telephone Co	Fairmont, Minn	2,826	678	1	1	
C-O 318	Garden Valley Telephone Co	Erskine, Minn	4,494	144	3	15	
S 100	International Telephone Co	International Falls, Minn.	1,720		1	1	
S 20	Mankato Citizens Telephone Co	Mankato, Minn	7,689	485		3	2
S 117	McLeod County Telephone Co	Glencoe, Minn	2,307		1	3	2
S 2456	Minnesota Community Telephone Co	Waterville, Minn	3,034	50	2	7	
S 24	New Ulm Rural Telephone Co	New Ulm, Minn	3,238		1		
S 740	Worthington Telephone Co	Worthington, Minn	1,865	213	1		
	Total (11) class B companies		41,095	3,818	19	49	4

[1] S=Indicates stock company. C-O=Indicates cooperative company.
[2] Company as a whole. All other figures Minnesota only.
[3] Indicates reverse entry.
[4] Rate of return calculated on Minnesota Investment only or $87,510,249.
[5] Rate of return calculated on Minnesota Investment only or $4,864,427 (Central Electric & Telephone Co. $1,063,846).

Summary of class C telephone companies for the year ended Dec. 31, 1942

[Class C companies are those having average annual revenues in excess of $10,000, but not more than $50,000]

GENERAL BALANCE SHEET

	No.[1]	Name of company	General office	Fixed capital, Dec. 31, 1942	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$199,778	$43,351	$243,129	$40,000	$55,980	$86,092
S	53	Alexandria Telephone Co	Alexandria	163,241	30,350	193,591	44,575		65,271
S	19	Blue Earth County Telephone Co	Lake Crystal	52,742	7,080	59,822	20,350		34,354
S	336	Breckenridge Telephone Co	Breckenridge	51,510	13,655	65,165	26,200		35,310
C-P	67	Cannon Falls Telephone Co	Cannon Falls	77,476	18,456	95,932	60,000		24,450
S	28	Carver County Telephone Co	Norwood	189,959	45,511	235,470	52,000	63,000	90,688
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	[2] 1,896,978	[2] 318,728	[2] 2,215,706	[2] 505,500	[2] 859,000	[2] 560,671
S	2545	Central West Co	Sioux Falls, S. Dak	[2] 353,914	[2] 584,807	[2] 938,721	[2] 102,037		[2] 34,889
I	890	Deer River Telephone Exchange	Deer River	46,330	1,414	47,744	24,705	2,500	2,288
S	52	Douglas County Telephone Co	Garfield	75,213	2,546	77,759	36,685		34,047
S	287	Dwelle Telephone Co	Lake City	107,040	10,717	117,757	42,500		36,830
S	2485	Empire Telephone Co	Grove City	85,851	2,582	88,433	28,638		29,257
S	262	Granite Falls Telephone Co	Granite Falls	61,809	2,566	64,375	24,684		13,346
S	76	Grant County Telephone Co	Elbow Lake	43,819	5,657	49,476	9,700	13,700	15,229
S	47	Hastings Telephone Co	Hastings	140,626	10,047	150,673	50,000		50,306
S	188	Hector Telephone Co	Hector	58,680	9,932	68,612	19,500		30,523
S	260	Howato Telephone Co	Howard Lake	96,596	5,232	101,828	30,000	24,500	19,729
S	116	Hutchinson Telephone Co	Hutchinson	229,473	18,962	248,435	97,890	90,000	48,914
S	2344	Intercounty Telephone Co	Blooming Prairie	134,368	13,155	147,523	71,400	47,500	31,395
S	269	Jasper Telephone Co	Jasper	45,341	5,360	50,701	16,755	700	12,035
S	94	Kandiyohi County Telephone Co	Atwater	37,329	2,260	39,589	22,000		35,335
S	329	Kasson & Mantorville Telephone Co	Kasson	59,983	2,212	62,195	42,000		14,662
C-P	69	Kenyon Telephone Exchange	Kenyon	57,776	1,707	59,483	26,594		24,026
S	334	Kittson Telephone Co	Hallock	30,073	8,914	38,987	15,000		17,653
S	904	Long Prairie Telephone Co	Long Prairie	65,252	1,586	66,838	15,000		23,434
S	245	Madelia Telephone Co	Madelia	50,342	2,556	52,898	17,950		28,618
I	2253	Mille Lacs Telephone Co	Onamia	36,126	9,402	45,528	29,430	2,600	12,787
I	74	Miller (G. O.) Telephone Co	Cannon Falls	83,670	8,811	92,481	46,432		41,543
S	149	Norman County Telephone Co., Inc	Ada	65,885	13,936	79,821	10,075		23,369
S	42	North Star Telephone Corp	Mountain Lake	118,994	7,232	126,226	30,700		63,438
S	159	Pelican Telephone Co	Pelican Rapids	47,823	6,337	54,160	18,825	6,700	31,372
S	351	Pine Island Telephone Co	Pine Island	54,309	683	54,992	22,500		18,710
S	186	Redwood County Telephone Co	Redwood Falls	139,649	15,399	155,048	36,110		41,661
S	372	Rural Telephone Co	Osseo	93,996	3,323	97,319	22,500		45,761
S	248	St. James Telephone Co	St. James	131,221	11,079	142,300	75,000		45,536

S	25	Sleepy Eye Telephone Co	Sleepy Eye	89,654	8,753	98,407	27,925		37,930
S	469	Starbuck Telephone Co	Starbuck	56,728	7,928	64,656	13,025		42,712
S	224	Swift County Telephone Corp	Benson	97,356	29,411	126,767	25,000		79,970
S	2098	United Telephone Co	West Concord	61,755	1,700	63,455	28,700		28,962
S	231	Wabasha County Telephone Co	Plainview	131,571	3,627	135,198	45,000		17,808
S	121	Warren Telephone Co	Warren	53,499	9,873	63,372	20,000		13,676
S	20	Watertown Telephone Co	Watertown	193,837	21,305	215,142	79,640		84,214
S	229	Wheaton Telephone Co	Wheaton	44,902	8,935	53,837	8,390	3,560	28,484
S	21	Willow Creek Telephone Co	Amboy	42,831	1,315	44,146	8,560		14,858
S	2437	Winona County Telephone Co	Lewiston	85,432	3,961	89,393	34,925		19,758
S	326	Zumbrota Telephone Co	Zumbrota	59,238	9,215	68,453	40,200	12,000	7,317
		Total (46) class C companies		6,099,975	1,351,568	7,451,543	2,064,600	1,181,740	2,099,218

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1942—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
							Operating income	Income deductions: Operating expenses		
				Other liabilities	Corporate surplus	Total liabilities	Total operating revenues	Maintenance	Depreciation	Traffic
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$9,855	$51,202	$243,129	$51,469	$5,514	$7,253	$11,575
S	53	Alexandria Telephone Co	Alexandria	8,222	75,523	193,591	43,812	5,919	4,516	9,709
S	19	Blue Earth County Telephone Co	Lake Crystal		5,118	59,822	14,262	4,732	1,375	2,957
S	336	Breckenridge Telephone Co	Breckenridge		3,655	65,165	18,140	3,364	1,517	4,774
C-P	67	Cannon Falls Telephone Co	Cannon Falls	860	10,622	95,932	16,208	2,156	2,500	4,743
S	28	Carver County Telephone Co	Norwood	18,342	11,440	235,470	46,787	5,491	7,493	7,945
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	[2] 126,465	[2] 164,070	[2]2,215,706	38,925	6,321	8,085	8,679
S	2545	Central West Co	Sioux Falls, S. Dak	[2] 738,550	[2] 63,245	[2] 938,721	16,267	7,733	4,253	4,208
I	890	Deer River Telephone Exchange	Deer River	18,251		47,744	11,110	2,937	1,440	2,455
S	52	Douglas County Telephone Co	Garfield	26,015	[3] 18,588	77,759	11,133	1,597	2,958	3,629
S	287	Dwelle Telephone Co	Lake City	1,861	36,566	117,757	24,305	4,998	3,600	6,668
S	2485	Empire Telephone Co	Grove City	16,766	13,772	88,433	17,016	2,243	3,189	3,660
S	262	Granite Falls Telephone Co	Granite Falls	5,870	20,475	64,375	17,213	3,844	2,163	4,427
S	76	Grant County Telephone Co	Elbow Lake	2,430	8,417	49,476	13,237	2,590	1,694	3,804
S	47	Hastings Telephone Co	Hastings	4,007	46,360	150,673	32,586	8,724	4,263	8,047
S	188	Hector Telephone Co	Hector	3,512	15,077	68,612	15,142	3,991	2,927	2,754
S	260	Howato Telephone Co	Howard Lake	12,238	15,361	101,828	19,939	1,435	3,795	3,802
S	116	Hutchinson Telephone Co	Hutchinson	7,786	3,845	248,435	34,691	4,368	3,230	5,000
S	2344	Intercounty Telephone Co	Blooming Prairie	5,771	[3] 8,543	147,523	21,937	4,251	3,337	5,563
S	269	Jasper Telephone Co	Jasper	3,984	17,227	50,701	11,347	2,466	1,068	3,291
S	94	Kandiyohi County Telephone Co	Atwater		[3] 17,746	39,589	11,642	3,595	1,120	4,708
S	329	Kasson and Mantorville Telephone Co	Kasson	4,490	1,043	62,195	13,992	3,270	2,100	3,141
C-P	69	Kenyon Telephone Exchange	Kenyon	8,863		59,483	16,489	5,714	2,311	4,500
S	334	Kittson Telephone Co	Hallock		6,334	38,987	11,797	2,461	1,096	2,086
S	904	Long Prairie Telephone Co	Long Prairie	19,856	8,548	66,838	20,435	2,137	2,386	5,053
S	245	Madelia Telephone Co	Madelia		6,330	52,818	14,862	3,056	1,475	3,524
I	2253	Mille Lacs Telephone Co	Onamia	711		45,528	10,494	2,897	1,783	1,500
I	74	Miller (G. O.) Telephone Co	Cannon Falls	4,506		92,481	12,383	3,019	3,206	3,093
S	149	Norman County Telephone Co., Inc	Ada	41,630	4,747	79,821	18,494	3,102	2,556	4,633
S	42	North Star Telephone Corp	Mountain Lake	22,708	9,380	126,226	22,522	2,851	4,726	3,083
S	159	Pelican Telephone Co	Pelican Rapids		[3] 2,737	54,160	11,031	3,339	1,409	2,525
S	351	Pine Island Telephone Co	Pine Island	14,124	[3] 342	54,992	11,138	3,316	1,560	2,371
S	186	Redwood County Telephone Co	Redwood Falls	2,490	74,787	155,048	31,309	5,070	3,921	8,900

S	372	Rural Telephone Co	Osseo	12,022	17,036	97,319	20,911	2,252	3,691	3,033
S	248	St. James Telephone Co	St. James	1,279	20,485	142,300	32,766	4,150	5,095	6,222
S	25	Sleepy Eye Telephone Co	Sleepy Eye	5,884	26,668	98,407	22,271	4,016	2,143	6,226
S	469	Starbuck Telephone Co	Starbuck	461	8,458	64,656	11,614	3,178	1,674	2,709
S	224	Swift County Telephone Corp	Benson	3,168	18,629	126,767	24,292	2,740	3,782	4,547
S	2098	United Telephone Co	West Concord		5,793	63,455	11,380	2,306	2,168	2,631
S	231	Wabasha County Telephone Co	Plainview	70,748	1,642	135,198	27,548	3,783	5,128	5,875
S	121	Warren Telephone Co	Warren	25,053	4,643	63,372	14,471	1,542	1,591	4,137
S	29	Watertown Telephone Co	Watertown	6,328	44,960	215,142	49,863	4,734	7,402	12,318
S	229	Wheaton Telephone Co	Wheaton	850	12,553	53,837	12,009	1,978	1,566	2,897
S	21	Willow Creek Telephone Co	Amboy	1,133	19,595	44,146	12,910	1,910	2,570	3,985
S	2437	Winona County Telephone Co	Lewiston	29,646	5,064	89,393	19,315	3,546	3,178	3,764
S	326	Zumbrota Telephone Co	Zumbrota	2,710	6,226	68,453	18,885	2,706	2,483	4,111
		Total (46) class C companies		1,289,445	816,540	7,451,543	965,348	167,342	142,766	219,262

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1945—Continued

INCOME ACCOUNT

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$10,226	$3,230	$3,565	$176	$41,539	$9,930	4.97
S	53	Alexandria Telephone Co	Alexandria	10,591	2,598	2,740	162	36,235	7,576	4.64
S	19	Blue Earth County Telephone Co	Lake Crystal	2,225	1,079	463	269	13,100	1,162	2.20
S	336	Breckenridge Telephone Co	Breckenridge	3,836	890	1,256	356	15,993	2,147	4.17
C-P	67	Cannon Falls Telephone Co	Cannon Falls	2,714	978	819	236	14,146	2,062	2.66
S	28	Carver County Telephone Co	Norwood	9,523	2,511	2,821	244	36,028	10,759	5.66
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	8,410	2,085	3,148	[6] 95	36,823	2,102	1.29
S	2545	Central West Co	Sioux Falls, S. Dak	5,046	628	201	41	22,110	[3] 5,843	[3] 4.19
I	890	Deer River Telephone Exchange	Deer River	2,461	627	124	82	10,126	984	2.12
S	52	Douglas County Telephone Co	Garfield	2,750	610	72	68	11,684	[3] 551	[3] .73
S	287	Dwelle Telephone Co	Lake City	6,030	1,583	1,819	214	24,912	4,393	4.10
S	2485	Empire Telephone Co	Grove City	3,325	929	798	72	14,196	2,820	3.28
S	262	Granite Falls Telephone Co	Granite Falls	4,460	946	704	----------	16,544	669	1.08
S	76	Grant County Telephone Co	Elbow Lake	2,467	536	238	----------	11,329	1,908	4.35
S	47	Hastings Telephone Co	Hastings	3,469	1,812	1,326	32	27,673	4,913	3.49
S	188	Hector Telephone Co	Hector	2,591	834	454	75	13,626	1,516	2.58
S	260	Howato Telephone Co	Howark Lake	4,093	1,203	1,005	[3] 14	15,319	4,620	4.78
S	116	Hutchinson Telephone Co	Hutchinson	7,702	2,053	2,418	----------	24,771	9,920	4.32
S	2344	Intercounty Telephone Co	Blooming Prairie	4,082	995	418	164	18,810	3,127	2.33
S	269	Jasper Telephone Co	Jasper	2,480	636	116	----------	10,057	1,290	2.85
S	94	Kandiyohi County Telephone Co	Atwater	1,662	573	92	122	11,872	[3] 230	[3] .62
S	329	Kasson and Mantorville Telephone Co	Kasson	2,784	577	306	154	12,332	1,660	2.77
C-P	69	Kenyon Telephone Exchange	Kenyon	1,409	887	158	67	15,046	1,443	2.50
S	334	Kittson Telephone Co	Hallock	2,484	789	835	32	9,783	2,014	6.70
S	904	Long Prairie Telephone Co	Long Prairie	3,983	1,167	1,104	64	15,894	4,541	6.96
S	245	Madelia Telephone Co	Madelia	3,045	889	755	----------	12,744	2,118	4.21
I	2253	Mille Lacs Telephone Co	Onamia	2,605	423	120	138	9,466	1,028	2.85
I	74	Miller (G. O.) Telephone Co	Cannon Falls	2,219	507	80	199	12,323	60	.07
S	149	Norman County Telephone Co. Inc	Ada	4,844	1,049	94	[3] 139	16,139	2,355	3.57
S	42	North Star Telephone Corp	Mountain Lake	5,170	1,423	1,123	14	18,390	4,132	3.47
S	159	Pelican Telephone Co	Pelican Rapids	2,721	429	117	1	10,541	490	1.02
S	351	Pine Island Telephone Co	Pine Island	2,814	460	96	31	10,648	490	.90
S	186	Redwood County Telephone Co	Redwood Falls	7,050	1,738	1,094	----------	28,383	2,926	2.10
S	372	Rural Telephone Co	Osseo	3,856	1,207	1,567	44	15,740	5,171	5.50
S	248	St. James Telephone Co	St. James	4,511	2,007	3,280	53	25,318	7,448	5.68

S	25	Sleepy Eye Telephone Co	Sleepy Eye	3,386	1,487	1,255	----------	18,513	3,758	4.19
S	469	Starbuck Telephone Co	Starbuck	1,873	638	199	[3] 63	10,208	1,406	2.48
S	224	Swift County Telephone Corp	Benson	5,353	1,481	1,856	96	19,855	4,437	4.56
S	2098	United Telephone Co	West Concord	1,459	522	696	2	9,784	1,596	2.58
S	231	Wabasha County Telephone Co	Plainview	5,643	1,491	571	51	22,542	5,000	3.80
S	121	Warren Telephone Co	Warren	4,080	784	495	252	12,881	1,590	2.97
S	29	Watertown Telephone Co	Watertown	8,548	3,016	3,900	131	40,049	9,814	5.06
S	229	Wheaton Telephone Co	Wheaton	4,362	586	1,031	----------	12,420	[3] 411	[3] .92
S	21	Willow Creek Telephone Co	Amboy	2,473	543	295	----------	11,776	1,134	2.65
S	2437	Winona County Telephone Co	Lewiston	4,453	984	535	24	16,484	2,831	3.31
S	326	Zumbrota Telephone Co	Zumbrota	4,964	1,055	832	186	16,337	2,548	4.30
		Total (46) class C companies		196,832	53,565	46,991	3,731	830,489	134,859	[4] 3.25

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1942—Continued

STATION AND CENTRAL OFFICE DATA

	No.[1]	Name of company	General office	Subscribers stations			Service stations	Number central offices		
				Local	Company-owned rural	Total		Common battery	Magneto	Automatic
S	739	Aitkin-Deerwood Telephone Co	Aitkin	1,469	111	1,580	578	2	1	
S	53	Alexandria Telephone Co	Alexandria	1,436	125	1,561	62	1		
S	19	Blue Earth Co. Telephone Co	Lake Crystal	337	323	660		1	1	
S	336	Breckenridge Telephone Co	Breckenridge	669	31	700	61	1		
C-P	67	Cannon Falls Telephone Co	Cannon Falls	402	363	765		1		
S	28	Carver Co. Telephone Co	Norwood	978	676	1,654		3		
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	865	1,061	1,926	110		7	
S	2545	Central West Co	Sioux Falls, S. Dak	313	334	647	33	1	4	
I	890	Deer River Telephone Exchange	Deer River	221	52	273	81	1		
S	52	Douglas Co. Telephone Co	Garfield	155	277	432			3	
S	287	Dwelle Telephone Co	Lake City	873	356	1,229		1		
S	2485	Empire Telephone Co	Grove City	270	384	654	61		2	
S	262	Granite Falls Telephone Co	Granite Falls	554	196	750		1		
S	76	Grant Co. Telephone Co	Elbow Lake	381	3	384	263	1	1	
S	47	Hastings Telephone Co	Hastings	1,014	289	1,303		1		
S	188	Hector Telephone Co	Hector	249	332	581			1	
S	260	Howato Telephone Co	Howard Lake	448	286	734			2	
S	116	Hutchinson Telephone Co	Hutchinson	1,018	480	1,498	13	1		
S	2344	Intercounty Telephone Co	Blooming Prairie	519	273	792	159		2	1
S	269	Jasper Telephone Co	Jasper	240	356	[5] 596	7		2	
S	94	Kandiyohi County Telephone Co	Atwater	129	355	484	61		3	
S	329	Kasson and Mantorville Telephone Co	Kasson	404	203	607		1		1
C-P	69	Kenyon Telephone Exchange	Kenyon	330	306	636	170	1		
S	334	Kittsen Telephone Co	Hallock	276	182	458		1		
S	904	Long Prairie Telephone Co	Long Prairie	609		609	655	1	1	
S	245	Madelia Telephone Co	Madelia	348	177	525	16	1		
I	2253	Mille Lacs Telephone Co	Onamia	199	131	330	92	1		1
I	74	Miller (G. O.) Telephone Co	Cannon Falls	86	650	736			2	
S	149	Norman Co. Telephone Co., Inc	Ada	467	258	725	22	1		
S	42	North Star Telephone Corp	Mountain Lake	465	439	904			1	2
S	159	Pelican Telephone Co	Pelican Rapids	308	191	499	133		1	
S	351	Pine Island Telephone Co	Pine Island	256	203	459		1		
S	186	Redwood County Rural Telephone Co	Redwood Falls	578	525	1,103	422	2	4	2
S	372	Rural Telephone Co	Osseo	225	508	733			1	1
S	248	St. James Telephone Co	St. James	947	461	1,408		1		
S	25	Sleepy Eye Telephone Co	Sleepy Eye	689	332	1,021		1		

S	469	Starbuck Telephone Co	Starbuck	237	299	536			1	
S	224	Swift County Telephone Corp	Benson	709	218	927		1		
S	2098	United Telephone Co	West Concord	212	291	503			1	
S	231	Wabasha Co. Telephone Co	Plainview	456	567	1,023	16		2	1
S	121	Warren Telephone Co	Warren	338	183	521	53	1		
S	29	Watertown Telephone Co	Watertown	1,003	1,202	2,205		3	3	1
S	220	Wheaton Telephone Co	Wheaton	444	61	505	227	1		1
S	21	Willow Creek Telephone Co	Amboy	204	424	628	25		2	
S	2437	Winona Co. Telephone Co	Lewiston	277	534	811			1	2
S	326	Zumbrota Telephone Co	Zumbrota	405	237	642		1		
		Total (46) class C companies		23,012	15,245	38,257	3,320	35	40	13

Footnotes at end of table.

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INTENTIONAL SECOND EXPOSURE

Summary of class C telephone companies for the year ended Dec. 31, 1942—Continued

STATION AND CENTRAL OFFICE DATA

No.[1]		Name of company	General office	Subscribers stations			Service stations	Number central offices		
				Local	Company-owned rural	Total		Common battery	Magneto	Automatic
S	739	Aitkin-Deerwood Telephone Co	Aitkin	1,469	111	1,580	578	2	1	
S	53	Alexandria Telephone Co	Alexandria	1,436	125	1,561	62	1		
S	19	Blue Earth Co. Telephone Co	Lake Crystal	337	323	660		1	1	
S	336	Breckenridge Telephone Co	Breckenridge	669	31	700	61	1		
C-P	67	Cannon Falls Telephone Co	Cannon Falls	402	363	765		1		
S	28	Carver Co. Telephone Co	Norwood	978	676	1,654		3		
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	865	1,061	1,926	110		7	
S	2545	Central West Co	Sioux Falls, S. Dak	313	334	647	33	1	4	
I	890	Deer River Telephone Exchange	Deer River	221	52	273	81	1		
S	52	Douglas Co. Telephone Co	Garfield	155	277	432			3	
S	287	Dwelle Telephone Co	Lake City	873	356	1,229		1		
S	2485	Empire Telephone Co	Grove City	270	384	654	61		2	
S	262	Granite Falls Telephone Co	Granite Falls	554	196	750		1		
S	76	Grant Co. Telephone Co	Elbow Lake	381	3	384	263	1	1	
S	47	Hastings Telephone Co	Hastings	1,014	289	1,303		1		
S	188	Hector Telephone Co	Hector	249	332	581			1	
S	260	Howato Telephone Co	Howard Lake	448	286	734			2	
S	116	Hutchinson Telephone Co	Hutchinson	1,018	480	1,498	13	1		
S	2344	Intercounty Telephone Co	Blooming Prairie	519	273	792	159		2	1
S	269	Jasper Telephone Co	Jasper	240	356	[5] 596	7		2	
S	94	Kandiyohi County Telephone Co	Atwater	129	355	484	61		3	
S	329	Kasson and Mantorville Telephone Co	Kasson	404	203	607		1		1
C-P	69	Kenyon Telephone Exchange	Kenyon	330	306	636	170	1		
S	334	Kittsen Telephone Co	Hallock	276	182	458		1		
S	904	Long Prairie Telephone Co	Long Prairie	609		609	655	1	1	
S	245	Madelia Telephone Co	Madelia	348	177	525	16	1		
I	2253	Mille Lacs Telephone Co	Onamia	199	131	330	92	1		1
I	74	Miller (G. O.) Telephone Co	Cannon Falls	86	650	736			2	
S	149	Norman Co. Telephone Co., Inc	Ada	467	258	725	22	1		
S	42	North Star Telephone Corp	Mountain Lake	465	439	904			1	2
S	159	Pelican Telephone Co	Pelican Rapids	308	191	499	133		1	
S	351	Pine Island Telephone Co	Pine Island	256	203	459		1		
S	186	Redwood County Rural Telephone Co	Redwood Falls	578	525	1,103	422	2	4	2
S	372	Rural Telephone Co	Osseo	225	508	733			1	1
S	248	St. James Telephone Co	St. James	947	461	1,408		1		
S	25	Sleepy Eye Telephone Co	Sleepy Eye	689	332	1,021		1		

S	469	Starbuck Telephone Co	Starbuck	237	299	536			1	
S	224	Swift County Telephone Corp	Benson	709	218	927		1		
S	2098	United Telephone Co	West Concord	212	291	503			1	
S	231	Wabasha Co. Telephone Co	Plainview	456	567	1,023	16		2	1
S	121	Warren Telephone Co	Warren	338	183	521	53	1		
S	29	Watertown Telephone Co	Watertown	1,003	1,202	2,205		3	3	1
S	220	Wheaton Telephone Co	Wheaton	444	61	505	227	1		1
S	21	Willow Creek Telephone Co	Amboy	204	424	628	25		2	
S	2437	Winona Co. Telephone Co	Lewiston	277	534	811			1	2
S	326	Zumbrota Telephone Co	Zumbrota	405	237	642		1		
		Total (46) class C companies		23,012	15,245	38,257	3,320	35	49	13

Footnotes at end of table.

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Summery of class C telephone companies for the year ended Dec. 31, 1942—Continued

AVERAGES PER COMPANY-OWNED STATION

	No.	Name of company	General office	Total plant and equipment	Operating income total	Operating expenses				
						Maintenance	Depreciation	Traffic	General	Total
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$126.44	$33.00	$3.49	$4.59	$7.33	$6.47	$21.88
S	53	Alexandria Telephone Co	Alexandria	104.57	28.07	3.79	2.89	6.22	6.79	19.69
S	19	Blue Earth County Telephone Co	Lake Crystal	90.64	21.61	7.17	2.08	4.48	3.37	17.10
S	336	Breckenridge Telephone Co	Breckenridge	73.59	25.91	4.80	2.17	6.82	5.48	19.27
C-P	67	Cannon Falls Telephone Co	Cannon Falls	101.28	21.19	2.81	3.27	6.20	3.55	15.83
S	28	Carver County Telephone Co	Norwood	114.85	28.99	3.32	4.53	4.80	5.76	18.41
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	84.84	20.21	3.28	4.20	4.51	4.36	16.35
S	2545	Central West Co	Sioux Falls, S. Dak	215.48	25.14	11.95	6.57	6.50	7.80	32.82
I	890	Deer River Telephone Exchange	Deer River	169.71	40.70	10.76	5.27	8.99	9.01	34.04
S	52	Douglas County Telephone Co	Garfield	174.10	25.77	3.70	6.85	8.40	6.36	25.31
S	287	Dwelle Telephone Co	Lake City	87.10	23.84	4.06	2.93	5.43	4.91	17.33
S	2485	Empire Telephone Co	Grove City	131.27	26.03	3.43	4.84	5.60	5.08	18.95
S	262	Granite Falls Telephone Co	Granite Falls	82.41	22.95	5.12	2.88	5.90	5.95	19.85
S	76	Grant County Telephone Co	Elbow Lake	114.11	34.47	6.74	4.41	9.91	6.42	27.48
S	47	Hastings Telephone Co	Hastings	107.92	25.01	6.70	3.27	6.18	2.66	18.81
S	188	Hector Telephone Co	Hector	101.00	26.06	6.87	5.04	4.74	4.46	21.11
S	260	Howato Telephone Co	Howard Lake	131.60	27.17	1.96	5.17	5.18	5.57	17.88
S	116	Hutchinson Telephone Co	Hutchinson	153.19	23.16	2.91	2.16	3.34	5.14	13.55
S	2344	Intercounty Telephone Co	Blooming Prairie	169.66	27.70	5.37	4.22	7.02	5.15	21.76
S	269	Jasper Telephone Co	Jasper	76.08	19.04	4.14	1.79	5.52	4.16	15.61
S	94	Kandiyohi County Telephone Co	Atwater	77.13	24.05	7.43	2.31	9.73	3.43	22.90
S	329	Kasson and Mantorville Telephone Co	Kasson	98.82	23.05	5.39	3.46	5.17	4.59	18.61
C-P	69	Kenyon Telephone Exchange	Kenyon	90.84	25.93	8.98	3.63	7.08	2.22	21.91
S	334	Kittson Telephone Co	Hallock	65.66	25.76	5.37	2.39	4.55	5.43	17.74
S	904	Long Prairie Telephone Co	Long Prairie	107.15	33.56	3.51	3.91	8.30	6.54	22.26
S	245	Madelia Telephone Co	Madelia	95.89	28.31	5.82	2.81	6.71	5.80	21.14
I	2253	Mille Lacs Telephone Co	Onamia	109.47	31.80	8.78	5.40	4.55	7.89	26.62
I	74	Miller (G. O.) Telephone Co	Cannon Falls	113.68	16.82	4.10	4.36	4.20	3.01	15.67
S	149	Norman County Telephone Co. Inc	Ada	90.88	25.51	4.28	3.52	6.39	6.68	20.87
S	42	North Star Telephone Corp	Mountain Lake	131.63	24.92	3.15	5.23	3.41	5.72	17.51
S	159	Pelican Telephone Co	Pelican Rapids	95.84	22.11	6.69	2.82	5.06	5.45	20.02
S	351	Pine Island Telephone Co	Pine Island	118.32	24.27	7.22	3.40	5.17	6.13	21.92
S	186	Redwood County Rural Telephone Co	Redwood Falls	126.61	28.39	4.60	3.56	8.07	6.94	23.17
S	372	Rural Telephone Co	Osseo	128.23	28.54	3.07	5.04	4.14	5.26	17.51
S	248	St. James Telephone Co	St. James	93.20	23.27	2.95	3.62	4.42	3.20	14.19
S	25	Sleepy Eye Telephone Co	Sleepy Eye	87.81	21.81	3.93	2.10	6.10	3.32	15.45
S	469	Starbuck Telephone Co	Starbuck	105.84	21.67	5.93	3.13	5.05	3.49	17.60
S	224	Swift County Telephone Corp	Benson	105.02	26.22	2.96	4.08	4.90	5.77	17.71
	9'08	United Telephone Co	West Concord	122.77	22.62	4.58	4.31	5.23	2.90	17.02

S	231	Wabasha County Telephone Co	Plainview	128.61	26.93	3.70	5.01	5.74	5.52	19.97
S	121	Warren Telephone Co	Warren	102.69	27.78	2.96	3.05	7.94	7.83	21.78
S	29	Watertown Telephone Co	Watertown	87.91	22.61	2.14	3.36	5.59	3.88	14.97
S	229	Wheaton Telephone Co	Wheaton	88.91	23.78	3.92	3.10	5.73	8.64	21.39
S	21	Willow Creek Telephone Co	Amboy	68.20	20.56	3.04	4.09	6.35	3.94	17.42
S	2437	Winona County Telephone Co	Lewiston	105.34	23.82	4.37	3.92	4.64	5.49	18.42
S	326	Zumbrota Telephone Co	Zumbrota	92.27	29.42	4.22	3.87	6.40	7.73	22.22
		Total (46) class C companies		109.75	25.64	4.90	3.80	5.95	5.33	19.98

[1] I=Indicates company owned by an individual. S=Indicates stock company. C-P=Indicates copartnership.
[2] Company as a whole. All other figures Minnesota only.
[3] Indicates reverse entry.
[4] Rate of return calculated on investment in Minnesota property only or $4,151,898 (Central West Co., $139,414; Central Iowa Telephone Co., $163,401).
[5] Proportion of system charge.
[6] Includes 74 stations located in South Dakota.

Summary of class C telephone companies for the year ended Dec. 31, 1943

[Class C companies are those having average annual revenues in excess of $10,000, but not more than $50,000]

GENERAL BALANCE SHEET

	No.[1]	Name of company	General office	Fixed capital, Dec. 31, 1943	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$202,912	$51,819	$254,731	$40,000	$48,480	$90,371
S	53	Alexandria Telephone Co	Alexandria	165,534	39,281	204,815	44,575		69,995
S	19	Blue Earth County Telephone Co	Lake Crystal	53,044	10,378	63,422	20,350		35,942
C-P	67	Cannon Falls Telephone Co	Breckenridge	51,776	16,765	68,541	26,200		36,505
S	28	Carver County Telephone Co	Cannon Falls	75,978	20,678	96,656	60,000		24,449
S	402	Central Iowa Telephone Co	Norwood	196,490	41,513	238,003	52,000	61,000	90,212
S	2545	Central West Co	Cedar Rapids, Iowa	[2] 1,940,877	[2] 426,383	[2] 2,367,260	[2] 505,500	[2] 806,000	[2] 638,502
I	890	Deer River Telephone Exchange	Sioux Falls, S. Dak	[2] 248,643	[2] 640,026	[2] 888,669	[2] 102,110		[2] 237,386
S	52	Gardonville Cooperative Telephone Association	Deer River	46,354	1,370	47,724	25,723	2,500	2,467
S	287	Dwelle Telephone Co	Garfield	[3]	[3]	[3]	[3]	[3]	[3]
S	2485	Empire Telephone Co	Lake City	109,089	14,103	123,192	42,500		38,593
S	262	Granite Falls Telephone Co	Grove City	86,820	2,132	88,952	28,637		30,450
S	76	Grant County Telephone Co	Granite Falls	62,005	2,230	64,235	24,684		14,716
S	47	Hastings Telephone Co	Elbow Lake	40,909	6,702	47,611	9,700	8,200	15,948
S	188	Hector Telephone Co	Hastings	141,554	19,851	161,405	50,000		53,821
S	260	Howato Telephone Co	Hector	59,943	13,156	73,099	19,500		31,836
S	116	Hutchinson Telephone Co	Howard Lake	99,895	5,084	104,979	30,000	24,000	23,026
S	2344	Intercounty Telephone Co	Hutchinson	231,186	15,417	246,603	98,160	90,000	42,777
S	269	Jasper Telephone Co	Blooming Prairie	134,428	10,512	144,940	65,200	47,500	34,354
S	94	Kandiyohi County Telephone Co	Jasper	44,926	3,796	48,722	16,755		12,694
S	329	Kasson and Mantorville Telephone Co	Atwater	37,563	3,432	40,995	22,000		36,837
C-P	69	Kenyon Telephone Exchange	Kasson	60,487	1,116	61,603	42,000		15,437
S	334	Kittson Telephone Co	Kenyon	56,223	1,790	58,013	26,763	7,250	23,847
S	904	Long Prairie Telephone Co	Hallock	30,073	11,717	41,790	15,000		18,750
S	245	Madelia Telephone Co	Long Prairie	66,000	2,454	68,454	15,000		25,661
I	2253	Mille Lacs Telephone Co	Madelia	50,935	4,383	55,318	17,950		23,600
I	74	Miller (G. O.) Telephone Co	Onamia	36,610	9,919	46,529	23,730		13,895
S	149	Norman County Telephone Co., Inc	Cannon Falls	84,076	9,092	93,168	48,249		44,449
S	42	North Star Telephone Corp	Ada	71,860	15,943	87,803	9,325		24,814
S	159	Pelican Telephone Co	Mountain Lake	123,194	30,480	153,674	30,700	40,000	64,751
S	351	Pine Island Telephone Co	Pelican Rapids	48,011	8,274	56,285	18,825	6,000	32,479
S	186	Redwood County Rural Telephone Co	Pine Island	54,309	653	54,962	22,500		17,890
S	372	Rural Tlephone Co	Redwood Falls	135,340	19,053	154,393	35,110		39,282
S	248	St. James Telephone Co	Osseo	96,978	5,213	102,191	22,500		45,740
			St. James	134,710	14,362	149,072	75,000		43,845

S	25	Sleepy Eye Telephone Co	Sleepy Eye	91,224	8,680	99,904	27,925		36,932
S	469	Starbuck Telephone Co	Starbuck	56,323	9,374	65,697	13,025		43,963
S	224	Swift County Telephone Corp	Benson	103,380	29,982	133,362	25,000		83,362
S	2098	United Telephone Co	West Concord	61,958	2,417	64,375	28,700		28,827
S	231	Wabasha County Telephone Co	Plainview	134,774	3,525	138,299	45,000		19,451
S	121	Warren Telephone Co	Warren	53,984	11,737	65,721	20,000		14,986
S	29	Watertown Telephone Co	Watertown	201,553	29,658	231,211	79,640		88,672
S	229	Wheaton Telephone Co	Wheaton	45,069	10,871	55,940	8,390	3,200	29,979
S	21	Willow Creek Telephone Co	Amboy	43,121	5,437	48,558	10,570		16,534
S	2437	Winona County Telephone Co	Lewiston	85,973	4,191	90,164	34,925		21,976
S	326	Zumbrota Telephone Co	Zumbrota	59,720	10,401	70,121	40,200	9,500	8,190
		Total (46) class C companies		6,015,811	1,605,350	7,621,161	2,026,621	1,153,030	2,400,193

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1943—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
				Other liabilities	Corporate surplus	Total liabilities	Operating income—total operating revenues	Income deductions: Operating expenses		
								Maintenance	Depreciation	Traffic
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$14,087	$61,793	$254,731	$57,489	$6,412	$7,933	$12,197
S	53	Alexandria Telephone Co	Alexandria	6,860	83,385	204,815	48,289	4,988	4,578	10,768
S	19	Blue Earth County Telephone Co	Lake Crystal	130	7,000	63,422	15,117	4,476	1,589	3,513
S	336	Breckenridge Telephone Co	Breckenridge	51	5,785	68,541	19,957	3,740	1,545	5,160
C-P	67	Cannon Falls Telephone Co	Cannon Falls	45	12,162	96,656	16,474	2,633	2,118	5,724
S	28	Carver County Telephone Co	Norwood	17,681	17,110	238,003	49,686	7,066	7,514	8,578
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	[2] 198,964	[2] 218,294	[2] 2,367,260	45,128	9,005	8,457	10,562
S	2545	Central West Co	Sioux Falls, S. Dak	[2] 449,269	[2] 99,904	[2] 888,699	14,054	3,323	3,714	4,074
I	890	Deer River Telephone Exchange	Deer River	17,034	----------	47,724	11,257	2,904	1,475	2,763
S	52	Gardonville Cooperative Telephone Association	Garfield	(3)	(3)	(3)	(3)	(3)	(3)	(3)
S	287	Dwelle Telephone Co	Lake City	1,950	40,149	123,192	30,406	4,214	3,600	7,312
S	2485	Empire Telephone Co	Grove City	13,448	16,417	88,952	19,181	1,971	3,402	4,180
S	262	Granite Falls Telephone Co	Granite Falls	3,374	21,461	64,235	18,940	3,421	2,170	4,742
S	76	Grant County Telephone Co	Elbow Lake	3,460	10,303	47,611	14,581	2,679	1,588	4,003
S	47	Hastings Telephone Co	Hastings	4,307	53,277	161,405	37,219	7,044	4,289	7,561
S	188	Hector Telephone Co	Hector	4,509	17,254	73,099	17,162	3,035	2,934	2,826
S	260	Howato Telephone Co	Howard Lake	10,034	17,919	104,979	21,574	1,741	3,844	4,761
S	116	Hutchinson Telephone Co	Hutchinson	9,175	6,491	246,603	39,314	4,346	5,261	4,092
S	2344	Intercounty Telephone Co	Blooming Prairie	6,921	[4] 9,035	144,940	22,166	4,870	3,376	5,852
S	269	Jasper Telephone Co	Jasper	2,046	17,227	48,722	12,138	3,331	1,310	3,164
S	94	Kandiyohi County Telephone Co	Atwater	----------	[4] 17,842	40,995	11,497	2,836	1,503	4,749
S	329	Kasson & Mantorville Telephone Co	Kasson	3,573	593	61,603	15,256	3,285	2,100	3,258
C-P	69	Kenyon Telephone Exchange	Kenyon	153	----------	58,013	17,374	7,414	2,249	4,888
S	334	Kittson Telephone Co	Hallock	----------	8,040	41,790	11,521	2,666	1,097	2,514
S	904	Long Prairie Telephone Co	Long Prairie	16,098	11,785	68,454	21,883	1,901	2,407	5,458
S	245	Madelia Telephone Co	Madelia	----------	7,768	55,318	16,538	3,748	1,486	3,890
I	2253	Mille Lacs Telephone Co	Onamia	2,904	----------	46,529	9,814	2,613	1,626	1,742
I	74	Miller (G. O.) Telephone Co	Cannon Falls	470	----------	93,168	15,393	2,782	3,327	3,132
S	149	Norman County Telephone Co., Inc	Ada	49,056	4,598	87,803	19,326	3,333	2,631	4,971
S	42	North Star Telephone Corp	Mountain Lake	6,222	12,001	153,674	25,896	4,038	4,076	3,478
S	159	Pelican Telephone Co	Pelican Rapids	257	[4] 1,276	56,285	11,901	2,610	1,444	2,780
S	351	Pine Island Telephone Co	Pine Island	14,998	[4] 426	54,962	12,001	3,647	1,560	2,433
S	186	Redwood County Rural Telephone Co	Redwood Falls	2,262	76,739	154,393	33,369	5,713	4,024	9,193

S	372	Rural Telephone Co	Osseo	11,499	21,452	102,191	23,766	3,210	3,733	3,422
S	248	St. James Telephone Co	St. James	1,403	23,824	149,072	35,743	4,091	5,169	6,683
S	25	Sleepy Eye Telephone Co	Sleepy Eye	5,883	29,164	99,904	23,956	4,534	2,090	6,243
S	469	Starbuck Telephone Co	Starbuck	505	8,204	65,697	12,621	4,345	1,680	2,893
S	224	Swift County Telephone Corp	Benson	2,652	22,348	133,362	26,685	2,301	3,861	4,746
S	2098	United Telephone Co	West Concord	----------	6,848	64,375	12,563	3,402	2,161	2,792
S	231	Wabasha County Telephone Co	Plainview	71,178	2,670	138,299	28,731	5,068	5,243	6,275
S	121	Warren Telephone Co	Warren	26,690	4,045	65,721	15,385	2,009	1,590	4,793
S	29	Watertown Telephone Co	Watertown	11,350	51,549	231,211	60,040	5,866	7,074	15,618
S	229	Wheaton Telephone Co	Wheaton	539	13,832	55,940	13,468	1,485	1,602	2,262
S	21	Willow Creek Telephone Co	Amboy	165	21,289	48,558	15,005	2,045	3,930	2,587
S	2437	Winona County Telephone Co	Lewiston	25,953	7,310	90,164	21,244	3,419	3,408	3,443
S	326	Zumbrota Telephone Co	Zumbrota	1,130	11,101	70,121	20,713	2,177	2,405	4,635
		Total (46) class C companies		1,018,205	1,022,512	7,621,161	1,041,821	171,737	144,173	230,710

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1943—Continued

INCOME ACCOUNT

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$10,618	$3,491	$2,183	(4) $39	$42,795	$14,694	7.24
S	53	Alexandria Telephone Co	Alexandria	11,442	2,610	3,167	219	37,772	10,517	6.35
S	19	Blue Earth County Telephone Co	Lake Crystal	2,095	738	483		12,894	2,223	4.19
C-P	67	Cannon Falls Telephone Co	Breckinridge	4,253	828	949	37	16,512	3,445	6.65
S	28	Carver County Telephone Co	Cannon Falls	2,695	944	886	116	15,116	1,358	1.79
S	402	Central Iowa Telephone Co	Norwood	9,604	2,553	1,613	22	36,950	12,736	6.48
S	2545	Central West Co	Cedar Rapids, Iowa	8,867	2,595	5,800	(5) 78	45,364	(4) 236	(4) .14
I	890	Deer River Telephone Exchange	Sioux Falls, S. Dak	4,662	546	185	17	16,521	(4) 2,467	(4) 2.47
S	52	Gardonville Cooperative Telephone Association	Deer River	2,789	605	120	29	10,685	572	1.23
S	287	Dwelle Telephone Co	Garfield	(3)	(3)	(3)	(3)	(3)	(3)	(3)
S	2485	Empire Telephone Co	Lake City	6,100	1,514	1,841	58	24,639	5,767	5.29
S	262	Granite Falls Telephone Co	Grove City	3,423	1,005	538	(4) 15	14,504	4,677	5.39
S	76	Grant County Telephone Co	Granite Falls	4,661	850	419		16,263	2,677	4.32
S	47	Hastings Telephone Co	Elbow Lake	2,717	612	515	94	12,208	2,373	5.80
S	188	Hector Telephone Co	Hastings	5,632	1,923	1,738	(4) 85	28,102	9,117	6.44
S	260	Howato Telephone Co	Hector	3,225	1,126	932	38	14,116	3,046	5.08
S	116	Hutchinson Telephone Co	Howard Lake	3,854	1,234	628	22	16,084	5,490	5.50
S	2344	Intercounty Telephone Co	Hutchinson	9,785	2,219	2,425	215	28,343	10,971	4.75
S	269	Jasper Telephone Co	Blooming Prairie	3,445	1,064	242	376	19,225	2,941	2.19
S	94	Kandiyohi County Telephone Co	Jasper	2,309	710	324		11,148	990	2.20
S	329	Kasson and Mantorville Telephone Co	Atwater	1,721	1,023	81	275	12,188	(4) 691	(4) 1.84
C-P	69	Kenyon Telephone Exchange	Kasson	4,444	631	444	33	14,195	1,061	1.75
S	334	Kittson Telephone Co	Kenyon	1,111	900	117		16,679	695	1.24
S	904	Long Prairie Telephone Co	Hallock	2,041	720	799		9,837	1,684	5.60
S	245	Madelia Telephone Co	Long Prairie	4,283	1,252	696	21	16,018	5,865	8.89
I	2253	Mille Lacs Telephone Co	Madelia	3,123	824	773		13,844	2,694	5.29
I	74	Miller (G. O.) Telephone Co	Onamia	2,652	420	36	87	9,176	638	1.74
S	149	Norman County Telephone Co., Inc	Cannon Falls	3,239	495	337		13,312	2,081	2.48
S	42	North Star Telephone Corp	Ada	4,996	1,143	102	(4) 13	17,163	2,163	3.01
S	159	Pelican Telephone Co	Mountain Lake	5,712	1,435	1,664	171	20,574	5,322	4.32
S	351	Pine Island Telephone Co	Pelican Rapids	2,450	452	79	289	10,104	1,797	3.74
S	186	Redwood County Rural Telephone Co	Pine Island	3,232	476	82		11,430	571	1.05
S	372	Rural Telephone Co	Redwood Falls	7,483	1,812	1,197	(4) 31	29,391	3,978	2.94
S	248	St. James Telephone Co	Osseo	3,634	1,385	1,003	(4) 12	16,375	7,391	7.62
S	25	Sleepy Eye Telephone Co	St. James	4,860	2,011	3,560	14	26,388	9,355	6.94
			Sleepy Eye	4,177	1,450	1,425		19,919	4,037	4.43

S	469	Starbuck Telephone Co	Starbuck	1,827	727	679	(4) 15	12,136	485	.86
S	224	Swift County Telephone Corp	Benson	5,338	1,684	1,280	5	19,215	7,470	7.23
S	2098	United Telephone Co	West Concord	1,342	646	596	(4) 149	10,790	1,773	2.86
S	231	Wabasha County Telephone Co	Plainview	5,745	1,433	333	6	24,103	4,628	3.43
S	121	Warren Telephone Co	Warren	3,685	648	328	80	13,133	2,252	4.17
S	29	Watertown Telephone Co	Watertown	9,075	3,756	7,685	(4) 299	48,775	11,265	5.59
S	229	Wheaton Telephone Co	Wheaton	5,231	1,283	133		11,996	1,472	3.27
S	21	Willow Creek Telephone Co	Amboy	2,269	610	400		11,841	3,164	7.34
S	2437	Winona County Telephone Co	Lewiston	4,001	1,182	538	(4) 25	15,966	5,278	6.14
S	326	Zumbrota Telephone Co	Zumbrota	4,883	964	779	(4) 155	15,688	5,025	8.41
		Total (46) class C companies		204,730	56,529	50,134	1,464	859,477	182,344	(6) 4.45

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1943—Continued

STATION AND CENTRAL OFFICE DATA

	No.[1]	Name of company	General office	Subscribers stations			Service stations	Number central offices		
				Local	Company-owned rural	Total		Common battery	Magneto	Automatic
S	739	Aitkin-Deerwood Telephone Co	Aitkin	1,565	121	1,686	572	2	1	
S	53	Alexandria Telephone Co	Alexandria	1,550	154	1,704	63	1		
S	19	Blue Earth County Telephone Co	Lake Crystal	319	341	660		1	1	
S	336	Breckenridge Telephone Co	Breckenridge	703	41	744	59	1		
C-P	67	Cannon Falls Telephone Co	Cannon Falls	420	376	796		1		
S	28	Carver County Telephone Co	Norwood	1,014	701	1,715		3		
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	862	1,104	1,966	97		7	
S	2545	Central West Co	Sioux Falls, S. Dak	169	256	425			4	
I	890	Deer River Telephone Exchange	Deer River	233	63	296	85	1		
S	52	Gardonville Cooperative Telephone Association	Garfield	(2)	(2)	(2)	(2)	(1)	(2)	(2)
S	287	Dwelle Telephone Co	Lake City	920	365	1,285		1		
S	2485	Empire Telephone Co	Grove City	290	413	703	62		2	
S	262	Granite Falls Telephone Co	Granite Falls	566	209	775		1		
S	76	Grant County Telephone Co	Elbow Lake	405	6	411	272	1	1	
S	47	Hastings Telephone Co	Hastings	1,051	308	1,359		1		
S	188	Hector Telephone Co	Hector	268	366	634			1	
S	260	Howato Telephone Co	Howard Lake	485	322	807			2	
S	116	Hutchinson Telephone Co	Hutchinson	1,075	501	1,576	13			1
S	2344	Intercounty Telephone Co	Bloomington Prairie	517	270	787	156		2	1
S	269	Jasper Telephone Co	Jasper	250	380	630	7		2	
S	94	Kandiyohi County Telephone Co	Atwater	135	365	500	70		3	
S	329	Kasson & Mantorville Telephone Co	Kasson	408	211	619		1		
C-P	69	Kenyon Telephone Exchange	Kenyon	358	315	673	172	1		
S	334	Kittson Telephone Co	Hallock	293	190	483		1		
S	904	Long Prairie Telephone Co	Long Prairie	648		648	656	1	1	
S	245	Madelia Telephone Co	Madelia	363	201	564	17	1		
I	2253	Mille Lacs Telephone Co	Onamia	185	128	313	99	1		1
I	74	Miller (G. O.) Telephone Co	Cannon Falls	93	637	730			2	
S	149	Norman Co. Telephone Co. Inc	Ada	481	292	773	21	1		
S	42	North Star Telephone Corporation	Mountain Lake	512	483	995			1	2
S	159	Pelican Telephone Co	Pelican Rapids	316	195	511	135		1	
S	351	Pine Island Telephone Co	Pine Island	265	221	486		1		
S	186	Redwood County Rural Telephone Co	Redwood Falls	610	563	1,173	417	2	4	2
S	372	Rural Telephone Co	Osseo	246	531	777			1	1
S	248	St. James Telephone Co	St. James	1,010	479	1,489		1		
S	25	Sleepy Eye Telephone Co	Sleepy Eye	700	354	1,054		1		
S	469	Starbuck Telephone Co	Starbuck	238	324	562			1	

S	224	Swift County Telephone Corporation	Benson	724	242	966		1		
S	2098	United Telephone Co	West Concord	218	336	554			1	
S	231	Wabasha County Telephone Co	Plainview	489	591	1,080	16		2	1
S	121	Warren Telephone Co	Warren	353	191	544	59	1		
S	29	Watertown Telephone Co	Watertown	1,017	1,310	2,327		3	3	1
S	229	Wheaton Telephone Co	Wheaton	466	59	525	229	1		1
S	21	Willow Creek Telephone Co	Amboy	219	456	675	26		2	
S	2437	Winona County Telephone Co	Lewiston	294	561	855			1	2
S	326	Zumbrota Telephone Co	Zumbrota	423	244	667		1		
		Total (46) class C companies		23,726	15,776	39,502	3,313	33	46	14

Footnotes at end of table.

Summary of class C telephone companies for the year ended Dec. 31, 1943—Continued

AVERAGES PER COMPANY-OWNED STATION

	No.[1]	Name of company	General office	Total plant and equipment	Operating income total	Operating expenses				
						Maintenance	Depreciation	Traffic	General	Total
S	739	Aitkin-Deerwood Telephone Co	Aitkin	$120.35	$34.10	$3.80	$4.71	$7.23	$6.30	$22.04
S	53	Alexandria Telephone Co	Alexandria	97.14	28.34	2.93	2.69	6.32	6.71	18.65
S	19	Blue Earth County Telephone Co	Lake Crystal	80.37	22.90	6.78	2.41	5.32	3.17	17.68
S	336	Breckenridge Telephone Co	Breckenridge	69.59	26.82	5.03	2.08	6.93	5.72	19.76
C-P	67	Cannon Falls Telephone Co	Cannon Falls	95.45	20.70	3.31	2.66	7.19	3.39	16.55
S	28	Carver County Telephone Co	Norwood	114.57	28.97	4.12	4.38	5.00	5.60	19.10
S	402	Central Iowa Telephone Co	Cedar Rapids, Iowa	86.88	22.95	4.58	4.30	5.37	4.51	18.76
S	2545	Central West Co	Sioux Falls, S. Dak	234.87	33.07	7.82	8.74	9.58	10.97	37.11
I	890	Deer River Telephone Exchange	Deer River	156.60	38.03	9.81	4.98	9.33	9.43	33.55
S	52	Gardonville Cooperative Telephone Association	Garfield	[3]	[3]	[3]	[3]	[3]	[3]	[3]
S	287	Dwelle Telephone Co	Lake City	84.89	23.66	3.28	2.80	5.69	4.75	16.52
S	2485	Empire Telephone Co	Grove City	123.50	27.28	2.80	4.84	5.95	4.87	18.46
S	262	Granite Falls Telephone Co	Granite Falls	80.01	24.44	4.41	2.80	6.12	6.01	19.34
S	76	Grant County Telephone Co	Elbow Lake	99.54	35.48	6.52	3.86	9.74	6.61	26.73
S	47	Hastings Telephone Co	Hastings	104.16	27.39	5.18	3.16	5.56	4.14	18.04
S	188	Hector Telephone Co	Hector	94.55	27.07	4.79	4.63	4.46	5.08	18.96
S	260	Howato Telephone Co	Howard Lake	123.79	26.73	2.16	4.76	5.90	4.78	17.60
S	116	Hutchinson Telephone Co	Hutchinson	146.69	24.95	2.76	3.34	2.59	6.21	14.90
S	2344	Intercounty Telephone Co	Blooming Prairie	170.81	28.17	6.19	4.29	7.43	4.38	22.29
S	269	Jasper Telephone Co	Jasper	71.31	19.27	5.29	2.08	5.02	3.66	16.05
S	94	Kandiyohi County Telephone Co	Atwater	75.13	22.99	5.67	3.01	9.50	3.44	21.62
S	329	Kasson and Mantorville Telephone Co	Kasson	97.72	24.65	5.31	3.39	5.26	7.18	21.14
C-P	69	Kenyon Telephone Exchange	Kenyon	83.54	25.82	11.02	3.34	7.26	1.65	23.27
S	334	Kittson Telephone Co	Hallock	62.26	23.85	5.52	2.27	5.20	4.23	17.22
S	904	Long Prairie Telephone Co	Long Prairie	101.85	33.77	2.93	3.72	8.42	6.61	21.68
S	245	Madelia Telephone Co	Madelia	90.31	29.32	6.65	2.63	6.90	5.53	21.71
I	2253	Mille Lacs Telephone Co	Onamia	116.96	31.35	8.35	5.19	5.57	8.47	27.58
I	74	Miller (G. O.) Telephone Co	Cannon Falls	115.17	21.09	3.81	4.56	4.29	4.44	17.10
S	149	Norman County Telephone Co., Inc	Ada	92.96	25.00	4.31	3.40	6.43	6.46	20.60
S	42	North Star Telephone Corp	Mountain Lake	123.81	26.03	4.06	4.10	3.49	5.74	17.39
S	159	Pelican Telephone Co	Pelican Rapids	93.95	23.29	5.11	2.83	5.44	4.79	18.17
S	351	Pine Island Telephone Co	Pine Island	111.75	24.69	7.50	3.21	5.01	6.65	22.37
S	186	Redwood County Rural Telephone Co	Redwood Falls	115.38	28.45	4.87	3.43	7.84	6.38	22.52
S	372	Rural Telephone Co	Osseo	124.81	30.59	4.13	4.80	4.40	4.68	18.01
S	248	St. James Telephone Co	St. James	90.47	24.00	2.75	3.47	4.49	3.26	13.97
S	25	Sleepy Eye Telephone Co	Sleepy Eye	86.55	22.73	4.30	1.99	5.92	3.96	16.17
S	469	Starbuck Telephone Co	Starbuck	100.22	22.46	7.73	2.99	5.15	3.25	19.12
S	224	Swift County Telephone Corp	Benson	107.02	27.62	2.38	4.00	4.91	5.53	16.82

S	2098	United Telephone Co	West Concord	111.84	22.68	6.14	3.90	5.04	2.42	17.50
S	231	Wabasha County Telephone Co	Plainview	124.79	26.60	4.69	4.85	5.81	5.32	20.67
S	121	Warren Telephone Co	Warren	99.24	28.28	3.69	2.92	8.82	6.77	22.20
S	29	Watertown Telephone Co	Watertown	86.61	25.80	2.52	3.04	6.71	3.90	16.17
S	229	Wheaton Telephone Co	Wheaton	85.85	25.65	2.83	3.05	4.31	9.96	20.15
S	21	Willow Creek Telephone Co	Amboy	63.88	22.23	3.03	5.82	3.83	3.36	16.04
S	2437	Winona County Telephone Co	Lewiston	100.55	24.85	4.00	3.98	4.03	4.68	16.69
S	326	Zumbrota Telephone Co	Zumbrota	89.54	31.05	3.26	3.61	6.95	7.32	21.14
		Total (46) class C companies		104.29	26.37	4.35	4.65	5.84	5.18	20.02

[1] S=Indicates stock company. C-P=Indicates copartnership. I=Indicates company owned by an individual.
[2] Company as a whole. All other figures Minnesota only.
[3] Report incomplete.
[4] Indicates reverse entry.
[5] Proportion of system charge.
[6] Rate of return calculated on investment in Minnesota property only or $4,096,915 (Central West Co. $99,821; Central Iowa Telephone Co. $170,803).
[7] Includes 80 stations in South Dakota.

Summary of class D telephone companies for the year ended Dec. 31, 1942

[Class D companies are those having average annual revenues in excess of $4,000, but not more than $10,000]

GENERAL BALANCE SHEET

No.[1]		Name of company	General office	Fixed capital, Dec. 31, 1942	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
I	206	Albany Telephone Exchange	Albany	$11,359	$884	$12,243	$7,780		$4,259
S	256	Annandale Telephone Exchange Co	Annandale	62,404	5,319	67,723	26,500	$12,000	23,652
S	315	Anoka County Mutual Telephone Co	Constance	42,989	1,706	44,695	5,500		32,065
I	119	Argyle Telephone Co	Argyle	19,533	3,904	23,437	5,379		17,985
I	93	Atwater Telephone Exchange	Atwater	16,044	1,352	17,396	16,628		561
M-C	706	Barnesville Telephone Co	Barnesville	21,050	2,180	23,230	18,752		4,478
S	102	Bellingham Telephone Co	Bellingham	22,573	1,025	23,598	3,310	9,750	7,932
S	970	Bertha Telephone Co	Bertha	25,918	1,322	27,240	15,000		2,229
I	404	Bricelyn Mutual Telephone Co	Bricelyn	9,933	1,217	11,150	5,684		5,466
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	19,259	1,391	20,650	15,992		4,598
S	497	Central Telephone Co	Carlos	23,093	676	23,769	10,300		12,237
S	357	Chisago City Telephone Co	Chisago City	19,486	1,402	20,888	6,500		4,657
S	34	Chisago County Mutual Telephone Co	Center City	40,837	9,250	50,087	15,000		17,572
I	344	Citizens Tri-County Telephone Co	Kimball	24,922	2,113	27,035	11,676		14,839
S	359	City & Farmers Telephone Co	Rushford	16,546	5,284	21,830	6,437		8,393
M	617	Clara City Telephone Exchange Co	Clara City	9,229	10,113	19,412	14,400		1,237
C-P	328	Claremont Telephone Co	Claremont	13,343	1,065	14,408	959	8,011	3,496
S	327	Clarkfield Telephone Co	Clarkfield	32,213	35	32,248	17,121		7,481
S	433	Comfrey Rural Telephone Co	Comfrey	35,079	10,016	45,095	8,620		20,212
S	181	Cyrus Mutual Telephone Co	Cyrus	32,934	1,782	34,716	5,760		20,990
S	368	Delavan Telephone Exchange	Delavan	18,986	442	19,428	6,050		10,175
S	281	Dexter Telephone Co	Dexter	16,307	3,202	19,509	3,165		11,303
I	335	Dodge Center Telephone Exchange Co	Dodge Center	17,895	27,646	45,541	39,399		6,142
S	809	East Side Telephone Corp	Isle	16,837	2,136	18,973	8,509		6,591
I	198	Eckles, W. A., Telephone Co	New Prague	35,221	3,030	38,251	6,828	10,000	8,288
S	729	Effington Telephone Co	Parkers Prairie	40,106	1,413	41,519	7,580		19,214
S	870	Farmers & Merchants Telephone Co	Lanesboro	32,289	3,705	35,994	5,390		19,590
S	49	Farmers Interurban Telephone Co	Kasson	15,446	3,008	18,454	8,825		2,462
M	65	Farmers Telephone Co	Emmons	33,142	1,848	34,990	12,600		15,702
M	72	Farmers Mutual Telephone Co	Wanamingo	33,571	4,371	37,942	5,750	5,000	9,080
I	145	Floodwood Telephone Co	Floodwood	9,062	1,466	10,528	8,836		1,692
C-O	354	Halstad Telephone Co	Halstad	25,450	2,189	27,639	6,325		11,034
S	85	Hancock Telephone Exchange Association	Hancock	18,461	497	18,958	16,388		903
S	23	Hanska Rural Telephone Co	Hanska	22,557	2,336	24,893	7,525		13,397
S	61	Harmony Telephone Exchange Co	Harmony	16,173	11,634	27,807	6,460		12,109
S	851	Heinola Telephone Co	New York Mills	22,666	1,000	23,666	6,125	2,150	19,918
S	237	Hoffman Telephone Co	Hoffman	18,306	2,378	20,684	5,700		8,057

S	111	Home Telephone Co	Cottonwood	20,268	1,001	21,269	17,250		5,212
S	136	Home Telephone Exchange Co	Grand Meadow	25,525	351	25,876	15,850		8,550
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	32,849	797	33,646	1,150		7,899
S	11	Lake Park Telephone Co	Lake Park	15,010	2,954	17,964	9,595		7,363
I	261	Lake Region Public Service Co	Waverly	59,683	3,971	63,654	10,000	5,000	9,472
S	2550	Lake Region Telephone Co	Frazee	27,181	2,150	29,331	10,000	13,000	1,009
C-O	293	Lerdal Telephone Co	Clarks Grove	38,211	2,157	40,368	9,700		19,747
C-O	432	Lismore Cooperative Telephone Co	Lismore	13,734	4,333	18,067	8,050		7,271
I	2547	Lonsdale Telephone Co	Lonsdale	18,636	2,312	20,948	13,578	5,000	2,312
S	339	Lowry Telephone Co	Lowry	42,980	4,266	47,246	8,800		18,396
M	364	Maple Lake Telephone Co	Maple Lake	34,711	6,791	41,502	14,000		24,669
S	295	Marietta Telephone Co	Marietta	20,087	3,742	23,829	2,520		11,381
C-P	232	Mazeppa Telephone Co	Mazeppa	20,578	5,274	25,852	13,570		11,983
S	209	Melrose Telephone Co	Melrose	36,479	1,230	37,709	17,000	579	16,153
M	299	Milan Mutual Telephone Co	Milan	15,729	3,901	19,630	7,800		6,251
S	298	Morristown Telephone Co	Morristown	28,392	2,201	30,593	12,900		14,850
I	934	Northland Telephone Co	Hill City	21,790	1,988	23,778	14,183		5,960
I	55	Osakis Telephone Co	Osakis	21,268	2,598	23,866	17,106		6,457
I	348	Oslo Telephone Co	Oslo	19,111	15,132	34,243	24,586		8,457
M	565	Park Region Mutual Telephone Co	Dalton	47,703	953	48,656	17,985		16,835
S	205	Peoples Independent Telephone Co	Winthrop	38,266	6,497	44,763	14,620		15,325
M	304	Peoples Telephone Exchange Co	Houston	11,222	2,904	14,126	3,110		3,629
S	160	Perham Telephone Exchange Co	Perham	(2)	(2)	(2)	(2)	(2)	(2)
S	310	Sacred Heart Telephone Co	Sacred Heart	6,091	5,486	11,577	2,500		3,552
S	343	Scandia-Marine Telephone Co	Scandia	33,011	1,930	34,941	7,350		20,777
I	2548	Scott-Rice Telephone Co	Farmington	45,701	2,978	48,679	23,155	4,000	19,596
I	341	Sebeka Home Telephone Co	Sebeka	14,141	2,532	16,673			4,700
S	201	Sherburne County Rural Telephone Co	Big Lake	33,175	3,315	36,490	14,900		26,519
I	333	Tri-City Telephone Co	Hendricks	[3] 30,180	[3] 5,551	[3] 35,731	[3] 19,158		[3] 14,594
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	40,044	5,114	45,158	23,323		21,449
S	395	Two-Rivers Telephone Co	Lancaster	16,025	6,085	22,110	5,285		9,414
S	472	Tyler Telephone Co	Tyler	43,537	2,750	46,287	13,990		18,275
I	374	Valley Telephone Co	Browns Valley	21,454	2,287	23,741	11,412		12,329
S	31	Walker Telephone Co	Walker	36,199	689	36,888	7,500	18,000	4,387
C-O	313	Washington County Telephone Co	Cottage Grove	56,571	5,703	62,274	31,350		12,085
S	1206	Winsted Telephone Co	Winsted	18,646	258	18,904	7,075	7,636	6,459
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	15,737	722	16,459	2,000		5,788
		Total (74) class D companies		1,911,214	257,240	2,168,454	811,095	100,126	799,011

Footnotes at end of table.

Summary of class D telephone companies for the year ended Dec. 31, 1942—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
				Other liabilities	Corporate surplus	Total liabilities	Total operating revenues	Income deductions: Operating expenses		
								Maintenance	Depreciation	Traffic
I	206	Albany Telephone Exchange	Albany	$204		$12,243	$5,101	$1,009	$300	$1,845
S	256	Annandale Telephone Exchange Co	Annandale	505	$5,066	67,723	9,452	1,447	2,160	2,684
S	315	Anoka County Mutual Telephone Co	Constance	672	6,458	44,695	4,970	974	1,503	1,760
I	119	Argyle Telephone Co	Argyle	73		23,437	4,605	865	780	1,193
I	93	Atwater Telephone Exchange	Atwater	207		17,396	4,322	1,237	468	1,788
M-C	706	Barnesville Telephone Co	Barnesville			23,230	7,170	720	500	2,768
S	102	Bellingham Telephone Co	Bellingham	14,347	[4] 11,741	23,598	4,004	1,212	796	1,555
S	970	Bertha Telephone Co	Bertha	12,148	[4] 2,137	27,240	6,290	1,907	1,186	7
I	404	Bricelyn Mutual Telephone Co	Bricelyn			11,150	5,447	971	348	2,119
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	60		20,650	5,553	839	520	1,580
S	497	Central Telephone Co	Carlos		1,232	23,769	4,320	244	908	2,055
S	357	Chisago City Telephone Co	Chisago City	1,548	8,183	20,888	7,045	1,485	1,000	2,338
S	34	Chisago County Mutual Telephone Co	Center City		17,508	50,087	9,507	2,460	1,448	2,864
I	344	Citizens Tri-County Telephone Co	Kimball	520		27,035	4,567	843	862	1,074
S	359	City & Farmers Telephone Co	Rushford		7,000	21,830	6,711	924	517	3,704
M	617	Clara City Telephone Exchange Co	Clara City		3,775	19,412	4,991	981	338	1,747
C-P	328	Claremont Telephone Co	Claremont	2,032		14,408	4,760	972	528	1,403
S	327	Clarkfield Telephone Co	Clarkfield	7,646		32,248	7,671	1,849	1,623	2,153
S	433	Comfrey Rural Telephone Co	Comfrey	190	16,073	45,095	6,729	1,684	1,033	2,146
S	181	Cyrus Mutual Telephone Co	Cyrus	3,745	4,221	34,716	5,659	1,901	1,339	1,781
S	368	Delavan Telephone Exchange	Delavan	1,133	2,070	19,428	5,050	2,291	500	1,834
S	281	Dexter Telephone Co	Dexter	56	4,985	19,509	4,511	1,546	466	1,156
I	335	Dodge Center Telephone Exchange Co	Dodge Center			45,541	6,265	1,171	175	1,802
S	809	East Side Telephone Corp	Isle	1,589	2,293	18,973	5,853	1,787	633	1,125
I	198	Eckles, W. A., Telephone Co	New Prague	13,135		38,251	9,090	1,618	1,298	2,473
S	729	Effington Telephone Co	Parkers Prairie	13,574	1,151	41,519	7,297	1,310	2,246	
S	870	Farmers & Merchants Telephone Co	Lanesboro	2,398	8,616	35,994	6,955	1,540	1,259	2,808
S	49	Farmers Interurban Telephone Co	Kasson	2,173	4,994	18,454	5,766	2,299	650	984
M	65	Farmers Telephone Co	Emmons	1,350	5,338	34,990	7,589	1,447	1,284	3,353
M	72	Farmers Mutual Telephone Co	Wanamingo	879	17,233	37,942	8,934	2,197	1,511	2,196
I	145	Floodwood Telephone Co	Floodwood			10,528	4,317	767	341	1,490
C-O	354	Halstad Telephone Co	Halstad	1,890	8,390	27,639	9,498	2,220	985	3,414
S	85	Hancock Telephone Exchange Association	Hancock	1,667		18,958	5,967	1,054	913	2,188
S	23	Hansaka Rural Telephone Co	Hanska	1,001	2,970	24,893	6,599	1,823	789	1,858
S	61	Harmony Telephone Exchange Co	Harmony	969	8,269	27,807	6,507	1,072	635	2,329
S	851	Heinola Telephone Co	New York Mills	241	[4] 4,768	23,666	5,405	1,073	680	1,664
S	237	Hoffman Telephone Co	Hoffman	23	6,904	20,684	4,334	2,043	800	1,250
S	111	Home Telephone Co	Cottonwood	3,500	[4] 4,693	21,269	4,259	685	608	1,595
S	136	Home Telephone Exchange Co	Grand Meadow		1,476	25,876	7,634	2,645	759	2,118
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	15,024	9,573	33,646	9,026	1,588	1,201	2,203
S	11	Lake Park Telephone Co	Lake Park	940	66	17,964	5,229	1,307	600	1,348
I	261	Lake Region Public Service Co	Waverly	1,985	37,197	63,654	7,949	2,364	2,333	324
S	2550	Lake Region Telephone Co	Frazee	1,982	3,340	29,331	4,763	2,002	1,009	103
C-O	293	Lerdal Telephone Co	Clarks Grove	750	10,171	40,368	5,897	1,436	1,493	1,438
C-O	432	Lismore Co-operative Telephone Co	Lismore	547	2,199	18,067	5,444	939	600	1,824
I	2547	Lonsdale Telephone Co	Lonsdale	58		20,948	4,288	1,560	752	1,261
S	339	Lowry Telephone Co	Lowry	2,862	17,188	47,246	8,315	2,669	1,336	1,621
M	364	Maple Lake Telephone Co	Maple Lake	2,321	512	41,502	5,530	2,334	627	1,216
S	295	Marietta Telephone Co	Marietta	223	9,705	23,829	4,739	1,690	537	1,472
C-P	232	Mazeppa Telephone Co	Mazeppa	299		25,852	4,429	667	800	1,412
S	209	Melrose Telephone Co	Melrose	700	3,277	37,709	8,270	2,372	550	3,305
M	299	Milan Mutual Telephone Co	Milan		5,579	19,630	4,379	710	570	1,502
S	298	Morristown Telephone Co	Morristown	6,640	[4] 3,797	30,593	5,766	1,465	1,136	1,493
I	934	Northland Telephone Co	Hill City	3,635		23,778	6,474	1,678	845	1,780
I	55	Osakis Telephone Co	Osakis	303		23,866	6,418	1,257	855	2,113
I	348	Oslo Telephone Co	Oslo	1,200		34,243	4,747	610	382	1,078
M	565	Park Region Mutual Telephone Co	Dalton	3,900	9,936	48,656	8,954	2,343	1,905	1,581
S	205	Peoples Independent Telephone Co	Winthrop	13,608	1,210	44,763	8,359	3,288	1,519	1,580
M	304	Peoples Telephone Exchange Co	Houston		7,387	14,126	6,263	340	370	3,356
S	160	Perham Telephone Exchange Co	Perham	(2)	(2)					
S	310	Sacred Heart Telephone Co	Sacred Heart	13	5,512	11,577	4,316	1,006	243	1,775
S	343	Scandia-Marine Telephone Co	Scandia		6,814	34,941	8,347	2,292	1,660	2,267
I	2548	Scott-Rice Telephone Co	Farmington	1,928		48,679	7,998	1,563	1,815	2,263
I	341	Sebeka Home Telephone Co	Sebeka	257	11,716	16,673	5,792	1,151	560	1,516
S	201	Sherburne County Rural Telephone Co	Big Lake	1,620	[4] 6,549	36,490	6,156	1,806	957	1,736
I	333	Tri-City Telephone Co	Hendricks	[3] 1,979		[3] 35,731	5,614	2,234	1,828	1,238
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	386		45,158	7,782	943	882	2,931
S	395	Two-Rivers Telephone Co	Lancaster	1,243	6,168	22,110	5,759	969	396	2,411
S	472	Tyler Telephone Co	Tyler	66	13,956	46,287	8,799	1,820	2,024	2,433
I	374	Valley Telephone Co	Browns Valley			23,741	5,249	1,342	820	1,723
S	31	Walker Telephone Co	Walker	3,270	3,731	36,888	10,078	2,047	984	1,644
C-O	313	Washington County Telephone Co	Cottage Grove	55	18,784	62,274	9,129	980	1,500	2,437
S	1206	Winsted Telephone Co	Winsted	2,329	[4] 4,586	18,904	4,708	1,307	713	1,595
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	1,013	7,658	16,459	4,533	916	450	1,339
		Total (74) class D companies		160,609	297,613	2,168,454	460,203	108,167	68,941	133,519

See footnotes at end of table.

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Summary of class D telephone companies for the year ended Dec. 31, 1942—Continued

INCOME ACCOUNT—Continued

INCOME ACCOUNT

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
I	206	Albany Telephone Exchange	Albany	$971	$204	$20		$4,349	$752	6.62
S	256	Annandale Telephone Exchange Co	Annandale	1,113	425	98		7,927	1,525	2.44
S	315	Anoka County Mutual Telephone Co	Constance	641	175	66	$44	5,163	(4) 193	(4) .45
I	119	Argyle Telephone Co	Argyle	1,694	194	27		4,753	(4) 148	(4) .76
I	93	Atwater Telephone Exchange	Atwater	772	173	9		4,447	(4) 125	(4) .78
M-C	706	Barnesville Telephone Co	Barnesville	691				5,679	1,491	7.08
S	102	Bellingham Telephone Co	Bellingham	546	179	63	70	4,421	(4) 417	(4) 1.85
S	970	Bertha Telephone Co	Bertha	1,622	269	108	13	5,112	1,178	4.55
I	404	Bricelyn Mutual Telephone Co	Bricelyn	2,115	218	22		5,793	346	(4) 3.48
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	1,464	797	27	120	5,347	206	7.55
S	497	Central Telephone Co	Carlos	728	172	104		4,211	109	.47
S	357	Chisago City Telephone Co	Chisago City	1,259	348	84		6,514	531	2.73
S	34	Chisago County Mutual Telephone Co	Center City	1,782	997	189		9,740	(4) 233	(4) .57
I	344	Citizens Tri-County Telephone Co	Kimball	477	247	41		3,545	1,022	4.10
S	359	City & Farmers Telephone Co	Rushford	459	279	212		6,095	616	3.72
M	617	Clara City Telephone Exchange Co	Clara City	941	185	181	44	4,417	574	6.17
C-P	328	Claremont Telephone Co	Claremont	371	193		64	3,531	1,229	9.21
S	327	Clarkfield Telephone Co	Clarkfield	1,318	341	57	22	7,363	308	.96
S	433	Comfrey Rural Telephone Co	Comfrey	1,089	262	200		6,414	315	.90
S	181	Cyrus Mutual Telephone Co	Cyrus	664	195	33		5,913	(4) 254	(4) .77
S	368	Delavan Telephone Exchange	Delavan	380	200	146		5,350	(4) 300	(4) 1.58
S	281	Dexter Telephone Co	Dexter	710	178	43	425	4,524	(4) 13	(4) .08
I	335	Dodge Center Telephone Exchange Co	Dodge Center	1,347	248	28		4,771	1,494	8.35
S	809	East Side Telephone Corp	Isle	1,248	223	148	295	5,459	394	2.34
I	198	Eckles, W. A., Telephone Co	New Prague	683	383	79		6,534	2,556	7.26
S	729	Effington Telephone Co	Parkers Prairie	1,747	340	33		5,676	1,621	4.04
S	870	Farmers & Merchants Telephone Co	Lanesboro	989	298	48		6,942	13	.04
S	49	Farmers Interurban Telephone Co	Kasson	770	220	39	55	5,017	749	4.85
M	65	Farmers Telephone Co	Emmons	863	409	141		7,527	62	.19
M	72	Farmers Mutual Telephone Co	Wanamingo	1,002	374	406	271	7,957	977	2.91
I	145	Floodwood Telephone Co	Floodwood	966	173	8	51	3,796	521	5.75
C-O	354	Halstad Telephone Co	Halstad	1,348	468	384	422	9,241	257	1.01
S	85	Hancock Telephone Exchange Association	Hancock	1,150	280	35		5,620	347	1.88
S	23	Hanska Rural Telephone Co	Hanska	1,739	267	136	426	7,038	(4) 439	(4) 1.95
S	61	Harmony Telephone Exchange Co	Harmony	875	276	224		5,411	1,096	6.78

S	851	Heinola Telephone Co	New York Mills	1,694	219	107	42	5,479	(4) 74	(4) .33
S	237	Hoffman Telephone Co	Hoffman	616	169	35	20	4,933	(4) 599	(4) 3.27
S	111	Home Telephone Co	Cottonwood	976	170	44		4,078	181	.89
S	136	Home Telephone Exchange Co	Grand Meadow	2,045	777	209		8,553	(4) 919	(4) 2.60
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	3,192	378	25		8,587	439	1.34
S	11	Lake Park Telephone Co	Lake Park	698	217	170	475	4,815	414	2.76
I	261	Lake Region Public Service Co	Waverly	2,748	357	113		8,239	(4) 290	(4) .49
S	2550	Lake Region Telephone Co	Frazee	1,280	188	47		4,629	134	.49
C-O	293	Lerdal Telephone Co	Clarks Grove	904	230	109	163	5,773	124	.32
C-O	432	Lismore Cooperative Telephone Co	Lismore	970	197	147	253	4,930	514	3.74
I	2547	Lonsdale Telephone Co	Lonsdale	442	176	21		4,212	76	.41
S	339	Lowry Telephone Co	Lowry	1,286	379	304	69	7,664	651	1.51
M	364	Maple Lake Telephone Co	Maple Lake	1,271	221	18	47	5,734	(4) 204	(4) .89
S	295	Marietta Telephone Co	Marietta	695	181	88		4,663	76	.38
C-P	232	Mazeppa Telephone Co	Mazeppa	831	177	15	85	3,987	442	2.15
S	209	Melrose Telephone Co	Melrose	1,765	331	55		8,378	(4) 108	(4) .30
M	299	Milan Mutual Telephone Co	Milan	1,236	173	272		4,463	(4) 84	(4) .53
S	298	Morristown Telephone Co	Morristown	1,147	231	29	23	5,524	242	.85
I	934	Northland Telephone Co	Hill City	945	396	7	28	5,679	795	3.65
I	55	Osakis Telephone Co	Osakis	2,253	442	49		6,979	(4) 561	(4) 2.64
I	348	Oslo Telephone Co	Oslo	609	176	40	346	3,241	1,506	7.88
M	565	Park Region Mutual Telephone Co	Dalton	1,178	431	250	167	7,855	1,099	2.30
S	205	Peoples Independent Telephone Co	Winthrop	1,396	440	123		8,346	13	.03
M	304	Peoples Telephone Exchange Co	Houston	564	216	42		4,888	1,375	12.25
S	160	Perham Telephone Exchange Co	Perham	(2)	(2)	(2)	(2)	(2)	(2)	(2)
S	310	Sacred Heart Telephone Co	Sacred Heart	545	173	188	57	3,987	329	5.40
S	343	Scandia-Marine Telephone Co	Scandia	1,288	360	296	115	8,278	69	.21
I	2548	Scott-Rice Telephone Co	Farmington	1,312	358	34	18	7,363	635	1.39
I	341	Sebeka Home Telephone Co	Sebeka	1,293	241	21	4	4,786	1,006	7.11
S	201	Sherburne County Rural Telephone Co	Big Lake	1,454	393	50		6,396	(4) 240	(4) .72
I	333	Tri-City Telephone Co	Hendricks	1,772	224	22		6,273	(4) 659	(4) 3.95
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	2,514	311	15	39	7,635	147	.37
S	395	Two-Rivers Telephone Co	Lancaster	1,217	230	55		5,278	481	3.00
S	472	Tyler Telephone Co	Tyler	1,573	395	92	92	8,429	370	.85
I	374	Valley Telephone Co	Browns Valley	1,049	199	11	6	5,150	99	.46
S	31	Walker Telephone Co	Walker	1,746	434	643	370	7,888	2,190	6.05
C-O	313	Washington County Telephone Co	Cottage Grove	1,389	375	55		6,736	2,393	4.23
S	1206	Winsted Telephone Co	Winsted	736	183	55		4,589	119	.64
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	1,176	159	37		4,077	456	2.90
		Total (74) class D companies		86,294	21,097	7,332	4,741	430,091	30,112	(3) 1.59

See footnote at end of table.

Summary of class D telephone companies for the year ended Dec. 31, 1942—Continued

STATION AND CENTRAL OFFICE DATA

No.[1]		Name of company	General office	Subscribers stations Company-owned			Service stations	Number central offices		
				Local	Rural	Total		Common battery	Magneto	Automatic
I	206	Albany Telephone Exchange	Albany	140	42	182	144		1	
S	256	Annandale Telephone Exchange Co	Annandale	178	265	443		1		1
S	315	Anoka County Mutual Telephone Co	Constance	25	220	245			2	
I	119	Argyle Telephone Co	Argyle	120	76	196	54		1	
I	93	Atwater Telephone Exchange	Atwater	161		161	178	1		
M-C	706	Barnesville Telephone Co	Barnesville	268		268	109	1		
S	102	Bellingham Telephone Co	Bellingham	62	109	171			1	
S	970	Bertha Telephone Co	Bertha	165		165	285			1
I	404	Bricelyn Mutual Telephone Co	Bricelyn	146		146	248		1	
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	89	156	245	65		1	
S	497	Central Telephone Co	Carlos	46	201	247			1	
S	357	Chisago City Telephone Co	Chisago City	96	271	367			1	
S	34	Chisago County Mutual Telephone Co	Center City	99	507	606			1	
I	344	Citizens Tri-County Telephone Co	Kimball	87	86	173	16		1	
S	359	City & Farmers Telephone Co	Rushford	359		359	423		1	
M	617	Clara City Telephone Exchange Co	Clara City	141		141	273		1	
C-P	328	Claremont Telephone Co	Claremont	78	156	234			1	
S	327	Clarkfield Telephone Co	Clarkfield	185	137	322			1	
S	433	Comfrey Rural Telephone Co	Comfrey	124	182	306			1	
S	181	Cyrus Mutual Telephone Co	Cyrus	74	183	257			1	
S	368	Delavan Telephone Exchange	Delavan	75	197	272			1	
S	281	Dexter Telephone Co	Dexter	37	207	244			1	
I	335	Dodge Center Telephone Exchange Co	Dodge Center	167	77	244			1	
S	809	East Side Telephone Corp	Isle	80	125	205	12		2	
I	198	Eckles, W. A. Telephone Co	New Prague	268	44	312	28	1		
S	729	Effington Telephone Co	Parkers Prairie	177	155	332	221			2
S	870	Farmers & Merchants Telephone Co	Lanesboro	248		248	189	1		
S	49	Farmers Interurban Telephone Co	Kasson		379	379		1		
M	65	Farmers Telephone Co	Emmons	92	298	390	51		2	
M	72	Farmers Mutual Telephone Co	Wanamingo	124	253	377	23		1	
I	145	Floodwood Telephone Co	Floodwood	102		102	220		1	
C-O	354	Halstad Telephone Co	Halstad	214	380	594	23		4	
S	85	Hancock Telephone Exchange Association	Hancock	171	4	175	216	1		
S	23	Hanska Rural Telephone Co	Hanska	122	260	382			1	
S	61	Harmony Telephone Exchange Co	Harmony	221		221	284		1	
S	851	Heinola Telephone Co	New York Mills	149	159	308	15		1	
S.	237	Hoffman Telephone Co	Hoffman	100	133	233			1	
S	111	Home Telephone Co	Cottonwood	109	35	144	103		1	
S	136	Home Telephone Exchange Co	Grand Meadow	171	242	413			1	

S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	262	68	330	405		1	2
S	11	Lake Park Telephone Co	Lake Park	129	250	379			1	
I	261	Lake Region Public Service Co	Waverly	143	125	268	57			3
S	2550	Lake Region Telephone Co	Frazee	130	22	152	136			1
C-O	293	Lerdal Telephone Co	Clarks Grove	30	315	345			1	
C-O	432	Lismore Cooperative Telephone Co	Lismore	69	205	274			1	
I	2547	Lonsdale Telephone Co	Lonsdale	79	126	205			1	
S	339	Lowry Telephone Co	Lowry	88	346	434			1	
M	354	Maple Lake Telephone Co	Maple Lake	135	175	310			1	
S	295	Marietta Telephone Co	Marietta	91	113	204			1	
C-P	232	Mazeppa Telephone Co	Mazeppa	106	107	213			1	
S	209	Melrose Telephone Co	Melrose	283	14	297	48		1	
M	299	Milan Mutual Telephone Co	Milan	111	189	300			1	
S	238	Morristown Telephone Co	Morristown	129	152	281			1	
I	934	Northland Telephone Co	Hill City	105	59	164	160		2	
I	55	Osakis Telephone Co	Osakis	204		204	142	1		
I	348	Oslo Telephone Co	Oslo	70	187	257	14		1	
M	565	Park Region Mutual Telephone Co	Dalton	89	453	542			2	
S	205	Peoples Independent Telephone Co	Winthrop	239	96	335		1		
M	304	Peoples Telephone Exchange Co	Houston	250		250	351		1	
S	160	Perham Telephone Exchange Co	Perham	(2)	(2)					
S	310	Sacred Heart Telephone Co	Sacred Heart	123		123			1	
S	343	Scandia-Marine Telephone Co	Scandia	60	362	422			1	
I	2548	Scott-Rice Telephone Co	Farmington	131	204	335			3	
I	341	Sebeka Home Telephone Co	Sebeka	133	2	135	357		1	
S	201	Sherburne County Rural Telephone Co	Big Lake	144	118	262			1	2
I	333	Tri-City Telephone Co	Hendricks	164	256	420	14		2	
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	207	148	355	104		2	
S	395	Two-Rivers Telephone Co	Lancaster	97	225	322			2	
S	472	Tyler Telephone Co	Tyler	265	242	507	20		1	
I	374	Valley Telephone Co	Browns Valley	187	47	234	62		1	
S	31	Walker Telephone Co	Walker	219	6	225	131		1	
C-O	313	Washington County Telephone Co	Cottage Grove		514	514			1	
S	1206	Winsted Telephone Co	Winsted	129	95	224			1	
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	40	186	226			1	
		Total (74) class D companies		9,911	10,946	20,857	5,181	9	73	12

[1] S=Indicates stock company. M=Indicates mutual company. C-O=Indicates cooperative company. C-P=Indicates copartnership. I=Indicates company owned by an individual. M-C=Indicates municipal corporation.

[2] Report incomplete.

[3] Indicates company as a whole. All other figures Minnesota only.

[4] Indicates reverse entry.

[5] Rate of return calculated on Minnesota investment only or $1,897,724 (Tri-City Telephone Co.—$16,690). Financial statements include operation of 88 telephones in North Dakota for which no separation is available.

Summary of class D telephone companies for the year ended Dec. 31, 1943

[Class D companies are those having average annual revenues in excess of $1,000, but not more than $10,000]

GENERAL BALANCE SHEET

No.[1]		Name of company	General office	Fixed capital, Dec. 31, 1943	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
I	206	Albany Telephone Exchange	Albany	$11,420	$1,070	$12,490	$7,894		$4,369
S	256	Annandale Telephone Exchange Co	Annandale	63,248	4,642	67,890	26,500	$11,500	23,969
S	315	Anoka County Mutual Telephone Co	Constance	42,994	1,839	44,833	5,500		32,602
I	119	Argyle Telephone Co	Argyle	19,538	4,483	24,021	5,177		18,766
I	93	Atwater Telephone Exchange	Atwater	16,089	1,725	17,814	16,674		888
M-C	706	Barnesville Telephone Co	Barnesville	21,341	2,510	23,851	19,285		4,566
S	102	Bellingham Telephone Co	Bellingham	22,572	1,655	24,227	3,310	9,750	8,468
S	970	Bertha Telephone Co	Bertha	[illegible],841	787	26,628	15,000		3,510
I	404	Bricelyn Mutual Telephone Co	Bricelyn	[illegible]7	1,296	11,233	5,420		5,813
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	19,[illegible]	1,755	20,782	15,992		4,738
S	497	Central Telephone Co	Carlos	23,2[illegible]	1,540	24,823	10,200		13,058
S	357	Chisago City Telephone Co	Chisago City	19,486	1,237	20,723	6,500		5,165
S	34	Chisago County Mutual Telephone Co	Center City	41,252	[illegible]448	50,700	15,000		18,707
I	344	Citizens Tri-County Telephone Co	Kimball	25,087	2,297	27,384	11,449		15,935
S	359	City & Farmers Telephone Co	Rushford	16,546	6,176	22,722	6,437		8,910
M	617	Clara City Telephone Exchange Co	Clara City	9,490	10,414	19,904	14,700		1,609
C-P	328	Claremont Telephone Co	Claremont	12,762	524	13,286	1,034	7,756	2,533
S	327	Clarkfield Telephone Co	Clarkfield	33,271	25	33,296	18,662		7,916
S	433	Comfrey Rural Telephone Co	Comfrey	35,836	11,096	46,932	8,290		20,432
S	181	Cyrus Mutual Telephone Co	Cyrus	33,059	2,055	35,114	5,760		22,264
S	368	Delavan Telephone Exchange	Delavan	19,156	323	19,479	6,050		10,465
I	335	Dodge Center Telephone Exchange Co	Dexter	16,502	3,143	19,645	3,165		11,520
S	809	East Side Telephone Corp	Dodge Center	(2)	(2)	(2)	(2)	(2)	(2)
I	198	Eckles, W. A., Telephone Co	Isle	17,000	2,107	19,107	8,500		6,725
S	729	Effington Telephone Co	New Prague	35,453	3,331	38,784	8,907	10,000	8,997
S	870	Farmers & Merchants Telephone Co	Parkers Prairie	40,106	1,246	41,352	7,580		21,459
S	49	Farmers Interurban Telephone Co	Lanesboro	32,109	3,793	35,902	5,390		20,659
M	65	Farmers Telephone Co	Kasson	16,256	2,947	19,203	8,825		3,212
M	72	Farmers Mutual Telephone Co	Emmons	33,591	2,194	35,785	12,800		16,982
I	145	Floodwood Telephone Co	Wanamingo	33,637	4,423	38,060	5,750	3,500	9,228
C-O	354	Halstad Telephone Co	Floodwood	10,002	1,483	11,485	9,477		2,008
S	85	Hancock Telephone Exchange Association	Halstad	26,165	1,304	27,469	6,475		12,019
S	23	Hanska Rural Telephone Co	Hancock	18,365	723	19,088	16,535		1,356
S	61	Harmony Telephone Exchange Co	Hanska	22,685	1,487	24,172	7,525		13,989
			Harmony	16,222	13,110	29,332	6,460		12,945

S	851	Heinola Telephone Co	New York Mills	22,860	1,046	23,906	6,125	1,250	20,486
S	237	Hoffman Telephone Co	Hoffman	18,306	2,020	20,326	5,700		8,857
S	111	Home Telephone Co	Cottonwood	19,799	1,529	21,328	17,250		4,851
S	136	Home Telephone Exchange Co	Grand Meadow	27,630	2,114	29,744	15,850		7,921
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	34,221	1,005	35,226	1,150		9,214
S	11	Lake Park Telephone Co	Lake Park	15,210	2,687	17,897	9,520		7,339
I	261	Lake Region Public Service Co	Waverly	60,465	4,022	64,486	10,000	5,000	11,525
S	2550	Lake Region Telephone Co	Frazee	26,859	1,995	28,854	10,000	12,000	1,925
C-O	293	Lerdal Telephone Co	Clarks Grove	38,738	2,975	41,713	9,700		21,275
C-O	432	Lismore Cooperative Telephone Co	Lismore	13,134	5,244	18,378	8,050		7,271
I	2547	Lonsdale Telephone Co	Lonsdale	19,255	937	20,192	14,157	3,700	2,335
S	339	Lowry Telephone Co	Lowry	44,235	3,931	48,166	8,640		18,582
M	364	Maple Lake Telephone Co	Maple Lake	35,649	5,921	41,570	14,000		25,276
S	295	Marietta Telephone Co	Marietta	20,325	4,282	24,607	2,680		11,776
C-P	232	Mazeppa Telephone Co	Mazeppa	20,878	5,433	26,311	13,465		12,650
S	209	Melrose Telephone Co	Melrose	37,751	852	38,603	17,000		16,970
M	299	Milan Mutual Telephone Co	Milan	33,438	5,232	38,670	7,800		9,860
S	298	Morristown Telephone Co	Morristown	28,237	2,481	30,718	12,840		15,175
I	934	Northland Telephone Co	Hill City	21,610	1,993	23,603	13,878		6,528
I	55	Osakis Telephone Co	Osakis	21,632	3,706	25,338	18,031		7,307
I	348	Oslo Telephone Co	Oslo	20,117	14,834	34,951	25,709		8,742
M	565	Park Region Mutual Telephone Co	Dalton	49,104	437	49,541	18,085		18,384
S	205	Peoples Independent Telephone Co	Winthrop	28,741	6,875	45,616	14,620		16,676
M	304	Peoples Telephone Exchange Co	Houston	(3)	(3)	(3)	(3)	(3)	(3)
S	160	Perham Telephone Exchange Co	Perham	41,276	7,424	48,700	10,000	17,650	18,787
S	310	Sacred Heart Telephone Co	Sacred Heart	6,168	5,994	12,162	2,500		3,799
S	343	Scandia-Marine Telephone Co	Scandia	32,729	3,539	36,268	7,350		22,212
I	2548	Scott-Rice Telephone Co	Farmington	46,661	2,404	49,065	24,270	3,000	19,444
I	341	Sebeka Home Telephone Co	Sebeka	13,894	3,766	17,660			5,000
S	201	Sherburne County Rural Telephone Co	Big Lake	33,678	3,052	36,730	14,900		27,515
I	333	Tri-City Telephone Co	Hendricks	30,774	6,719	37,493	20,479		15,923
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	40,343	5,109	45,452	23,389		21,666
S	395	Two Rivers Telephone Co	Lancaster	16,173	5,776	21,949	5,285		9,810
S	472	Tyler Telephone Co	Tyler	43,681	4,815	48,496	13,880		20,212
I	374	Valley Telephone Co	Browns Valley	21,903	3,371	25,364	12,272		13,092
S	31	Walker Telephone Co	Walker	36,723	2,638	39,361	7,500	17,000	5,425
C-O	313	Washington County Telephone Co	Cottage Grove	57,028	5,977	63,005	31,350		12,694
S	1206	Winsted Telephone Co	Winsted	19,184	676	19,860	7,075	4,984	7,180
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	15,670	897	16,567	2,000		5,938
		Total (74) class D telephone companies		1,963,496	251,896	2,215,392	788,723	107,090	855,494

Footnotes at end of table.

Summary of class D telephone companies for the year ended Dec. 31, 1943—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
				Other liabilities	Corporate surplus	Total liabilities	Total operating revenues	Income deductions: Operating expenses		
								Maintenance	Depreciation	Traffic
I	206	Albany Telephone Exchange	Albany	$227		$12,490	$5,679	$1,049	$300	$1,953
S	256	Annandale Telephone Exchange Co	Annandale	519	$5,402	67,890	10,408	2,262	2,160	2,514
S	315	Anoka County Mutual Telephone Co	Constance	240	6,401	44,833	5,490	933	1,505	2,130
I	119	Argyle Telephone Co	Argyle	78		24,021	5,175	1,240	781	1,303
I	93	Atwater Telephone Exchange	Atwater	252		17,814	5,061	1,396	481	2,102
M-C	706	Barnesville Telephone Co	Barnesville			23,851	8,188	831	500	4,641
S	102	Bellingham Telephone Co	Bellingham	14,980	[5] 12,281	24,227	4,163	865	865	1,204
S	970	Bertha Telephone Co	Bertha	9,781	[5] 1,663	26,628	7,174	1,683	1,281	38
I	404	Bricelyn Mutual Telephone Co	Bricelyn			11,233	5,741	954	348	2,323
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	52		20,782	6,138	1,125	520	1,420
S	497	Central Telephone Co	Carlos		1,565	24,823	4,732	704	911	1,921
S	357	Chisago City Telephone Co	Chisago City	856	8,202	20,723	7,565	1,737	1,000	2,590
S	34	Chisago County Mutual Telephone Co	Center City	77	16,916	50,700	11,691	2,695	1,430	3,499
I	344	Citizens Tri-County Telephone Co	Kimball			27,384	5,498	1,148	1,096	1,168
S	359	City & Farmers Telephone Co	Rushford		7,375	22,722	7,235	1,160	517	3,705
M	617	Clara City Telephone Exchange Co	Clara City		3,595	19,904	5,521	1,507	352	2,043
C-P	328	Claremont Telephone Co	Claremont	1,963		13,286	5,386	1,404	542	2,146
S	327	Clarkfield Telephone Co	Clarkfield	6,718		33,296	9,236	1,044	1,672	2,359
S	433	Comfrey Rural Telephone Co	Comfrey	323	17,887	46,932	8,195	1,832	1,038	2,193
S	181	Cyrus Mutual Telephone Co	Cyrus	2,762	4,328	35,114	6,708	1,429	1,461	2,127
S	368	Delavan Telephone Exchange	Delavan	593	2,371	19,479	7,210	2,535	500	2,897
S	281	Dexter Telephone Co	Dexter	38	4,922	19,645	4,941	1,972	466	1,248
I	335	Dodge Center Telephone Exchange Co	Dodge Center	[2]	[2]	[2]	[2]	[2]	[2]	[2]
S	809	East Side Telephone Corp	Isle	1,245	2,637	19,107	5,685	1,794	673	1,296
I	198	Eckles W. A. Telephone Co	New Prague	10,880		38,784	9,878	1,832	1,320	2,806
S	729	Effington Telephone Co	Parkers Prarie	10,431	1,882	41,352	7,911	2,406	2,245	
S	870	Farmers & Merchants Telephone Co	Lanesboro	2,080	7,773	35,902	7,551	1,627	1,232	2,669
S	49	Farmers Interurban Telephone Co	Kasson	1,246	5,920	19,203	6,579	2,770	750	1,000
M	65	Farmers Telephone Co	Emmons	950	5,053	35,785	8,542	1,764	1,280	3,988
M	72	Farmers Mutual Telephone Co	Wanamingo	1,070	18,512	38,060	9,415	2,211	1,474	2,353
I	145	Floodwood Telephone Co	Floodwood			11,485	4,871	1,024	362	1,627
C-O	354	Halstad Telephone Co	Halstad	389	8,586	27,469	9,621	2,959	985	3,388
S	85	Hancock Telephone Exchange Association	Hancock	1,197		19,088	6,830	1,083	891	2,124

S	23	Hanska Rural Telephone Co	Hanska	1	2,657	24,172	6,813	1,950	892	1,997
S	61	Harmony Telephone Exchange Co	Harmony	969	8,958	29,332	7,454	1,039	647	2,374
S	851	Heinola Telephone Co	New York Mills	490	[5] 4,445	23,906	6,173	1,033	686	2,207
S	237	Hoffman Telephone Co	Hoffman	48	5,721	20,326	5,094	2,958	800	1,205
S	111	Home Telephone Co	Cottonwood	3,000	[5] 3,773	21,328	5,338	919	594	1,493
S	136	Home Telephone Exchange Co	Grand Meadow	3,336	2,637	29,744	9,839	2,481	1,020	2,124
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	15,024	9,838	35,226	10,528	1,715	1,475	2,445
S	11	Lake Park Telephone Co	Lake Park	1,024	14	17,897	5,893	1,791	600	1,535
I	261	Lake Region Public Service Co	Waverly	915	37,046	64,486	8,971	1,953	2,350	72
S	2550	Lake Region Telephone Co	Frazee	1,982	2,947	28,854	4,968	2,001	1,085	90
C-O	293	Lerdal Telephone Co	Clarks Grove		10,738	41,713	6,367	1,318	1,528	1,490
C-O	432	Lismore Cooperative Telephone Co	Lismore	612	2,445	18,378	5,712	1,198	600	2,360
I	2547	Lonsdale Telephone Co	Lonsdale			20,192	4,314	704	745	1,314
S	339	Lowry Telephone Co	Lowry	3,190	17,754	48,166	9,085	3,068	1,391	2,004
M	364	Maple Lake Telephone Co	Maple Lake	2,337	[5] 43	41,570	5,142	1,891	608	1,080
S	295	Marietta Telephone Co	Marietta	261	9,890	24,607	5,408	1,802	547	1,490
C-P	232	Mazeppa Telephone Co	Mazeppa	196		26,311	4,578	722	667	2,541
S	209	Melrose Telephone Co	Melrose	800	3,833	38,603	10,145	3,222	650	3,542
M	299	Milan Mutual Telephone Co	Milan	30	20,980	38,670	6,596	735	629	1,670
S	298	Morristown Telephone Co	Morristown	6,522	[5] 3,819	30,718	6,682	1,787	1,130	1,862
I	934	Northland Telephone Co	Hill City	3,197		23,603	6,156	2,300	871	1,990
I	55	Osakis Telephone Co	Osakis			25,338	7,814	1,474	851	2,543
I	348	Oslo Telephone Co	Oslo	500		34,951	4,627	719	409	1,338
M	565	Park Region Mutual Telephone Co	Dalton	2,900	10,172	49,541	9,042	1,846	1,899	2,084
S	205	Peoples Independent Telephone Co	Winthrop	12,170	2,150	45,616	8,607	2,171	1,531	1,686
M	304	Peoples Telephone Exchange Co	Houston	[3]	[3]	[3]	[3]	[3]	[3]	[3]
S	160	Perham Telephone Exchange Co	Perham	2,169	94	48,700	9,034	1,375	1,641	1,991
S	310	Sacred Heart Telephone Co	Sacred Heart	50	5,813	12,162	4,661	1,340	247	1,738
S	343	Scandia-Marine Telephone Co	Scandia		6,706	36,268	8,893	2,464	1,705	2,562
I	2548	Scott-Rice Telephone Co	Farmington	2,351		49,065	9,303	1,607	1,842	2,617
I	341	Sebeka Home Telephone Co	Sebeka	267	12,393	17,660	6,233	1,331	565	1,640
S	201	Sherburne County Rural Telephone Co	Big Lake	1,200	[5] 6,885	36,730	7,294	2,000	995	1,891
I	333	Tri-City Telephone Co	Hendricks	[4] 1,091		[4] 37,493	6,412	1,961	828	1,408
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	397		45,452	8,357	1,666	894	3,160
S	395	Two Rivers Telephone Co	Lancaster	1,266	5,588	21,949	5,816	1,761	396	2,356
S	472	Tyler Telephone Co	Tyler	229	14,175	48,496	10,190	2,003	2,152	2,955
I	374	Valley Telephone Co	Browns Valley			25,364	6,160	1,440	852	1,717
S	31	Walker Telephone Co	Walker	4,561	4,875	39,361	10,436	1,809	1,038	2,162
C-O	313	Washington County Telephone Co	Cottage Grove	55	18,906	63,005	9,769	2,596	2,2 9	2,922
S	1206	Winsted Telephone Co	Winsted	5,854	[5] 5,233	19,860	5,028	2,215	722	1,301
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	1,150	7,479	16,567	4,474	1,165	360	1,469
		Total (74) class D telephone companies		149,091	314,994	2,215,392	507,424	120,415	71,639	145,020

Footnotes at end of table.

Summary of class D telephone companies for the year ended Dec. 31, 1943—Continued

INCOME ACCOUNT

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
I	206	Albany Telephone Exchange	Albany	$1,018	$227	$18		$4,565	$1,114	9.75
S	256	Annandale Telephone ExchangeCo	Annandale	1,226	452	262		8,876	1,532	2.42
S	315	Anoka County Mutual Telephone Co	Constance	686	193	34	$42	5,523	[5] 33	[5] .08
I	119	Argyle Telephone Co	Argyle	1,750	184	19		5,277	[5] 102	[5] .52
I	93	Atwater Telephone Exchange	Atwater	824	203	9		5,015	46	.29
M-C	706	Barnesville Telephone Co	Barnesville	684				6,656	1,532	7.18
S	102	Bellingham Telephone Co	Bellingham	453	167	40	37	3,631	532	2.36
S	970	Bertha Telephone Co	Bertha	2,762	263	234		6,261	913	3.53
I	404	Bricelyn Mutual Telephone Co	Bricelyn	2,130	230	20		6,005	[5] 264	[5] 2.66
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	1,980	1,089	24		5,858	280	1.47
S	497	Central Telephone Co	Carlos	677	173	65		4,451	281	1.21
S	357	Chisago City Telephone Co	Chisago City	1,346	389	171		7,233	332	1.70
S	34	Chisago County Mutual Telephone Co	Center City	2,083	374	85	73	10,239	1,452	3.52
I	344	Citizens Tri-County Telephone Co	Kimball	2,041	239	34		5,726	[5] 228	[5] 1.91
S	359	City & Farmers Telephone Co	Rushford	447	290	261		6,380	855	5.17
M	617	Clara City Telephone Exchange Co	Clara City	1,310	198	291		5,701	[5] 180	[5] 1.90
C-P	328	Claremont Telephone Co	Claremont	371	231	10	44	4,748	638	5.00
S	327	Clarkfield Telephone Co	Clarkfield	1,794	476	52	74	7,471	1,765	5.30
S	433	Comfrey Rural Telephone Co	Comfrey	1,043	267	179	[5] 26	6,526	1,669	4.66
S	181	Cyrus Mutual Telephone Co	Cyrus	1,152	226	33		6,428	280	.85
S	368	Delavan Telephone Exchange	Delavan	476	378	132		6,908	292	1.52
S	281	Dexter Telephone Co	Dexter	824	185	84	199	4,978	[5] 37	[5] .22
I	335	Dodge Center Telephone Exchange Co	Dodge Center	(2)	(2)	(2)	(2)	(2)	(2)	(2)
S	809	East Side Telephone Corp	Isle	928	234	140	251	5,316	369	2.17
I	198	Eckles, W. A., Telephone Co	New Prague	571	408	43	17	6,997	2,881	8.13
S	729	Effington Telephone Co	Parkers Prairie	1,363	302	35	159	6,510	1,401	3.49
S	870	Farmers & Merchants Telephone Co	Lanesboro	1,120	514	73	178	7,413	138	.43
S	49	Farmers Interurban Telephone Co	Kasson	781	219	38		5,558	1,021	6.28
M	65	Farmers Telephone Co	Emmons	1,346	540	106		9,024	[5] 482	[5] 1.43
M	72	Farmers Mutual Telephone Co	Wanamingo	1,124	352	339	131	7,984	1,431	4.25
I	145	Floodwood Telephone Co	Floodwood	988	195	7	26	4,229	642	6.42
C O	354	Halstad Telephone Co	Halstad	1,281	434	222	85	9,354	267	1.02
S	85	Hancock Telephone Exchange Association	Hancock	1,137	343	30		5,608	1,222	6.65
S	23	Hanska Rural Telephone Co	Hanska	1,842	264	57	74	7,076	[5] 263	[5] 1.16
S	61	Harmony Telephone Exchange Co	Harmony	903	356	368	109	5,796	1,658	10.22
S	851	Heinola Telephone Co	New York Mills	1,537	215	243	20	5,761	412	1.80

S	237	Hoffman Telephone Co	Hoffman	771	179	39		5,952	[5] 858	[5] 4.69
S	111	Home Telephone Co	Cottonwood	991	170	41		4,208	1,130	5.71
S	136	Home Telephone Exchange Co	Grand Meadow	2,401	401	92	9	8,528	1,311	4.74
S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	3,560	390	28		9,652	876	2.56
S	11	Lake Park Telephone Co	Lake Park	764	209	204	400	5,503	390	2.56
I	261	Lake Region Public Service Co	Waverly	3,920	373	262		8,930	41	.07
S	2550	Lake Region Telephone Co	Frazee	1,318	189	29		4,712	256	.95
C-O	293	Lerdal Telephone Co	Clarks Grove	659	236	103	284	5,618	749	1.93
C-O	432	Lismore Cooperative Telephone Co	Lismore	934	202	206		5,500	212	1.61
I	2547	Lonsdale Telephone Co	Lonsdale	671	126	8		3,568	746	3.87
S	339	Lowry Telephone Co	Lowry	1,072	387	280	162	8,384	721	1.63
M	364	Maple Lake Telephone Co	Maple Lake	1,705	206	36	114	5,640	[5] 498	[5] 1.40
S	295	Marietta Telephone Co	Marietta	751	206	74	104	4,974	434	2.14
C-P	232	Mazeppa Telephone Co	Mazeppa	487	190	33	37	4,677	[5] 99	[5] 4.47
S	209	Melrose Telephone Co	Melrose	1,891	406	93		9,804	341	.90
M	299	Milan Mutual Telephone Co	Milan	1,472	175	146	233	5,060	1,536	4.39
S	298	Morristown Telephone Co	Morristown	1,302	267	29		6,377	305	1.08
I	934	Northland Telephone Co	Hill City	999	277	18	30	6,485	[5] 329	[5] 1.52
I	55	Osakis Telephone Co	Osakis	1,598	366	28		6,860	954	4.41
I	348	Oslo Telephone Co	Oslo	631	173	25	137	3,432	1,195	5.94
M	565	Park Region Mutual Telephone Co	Dalton	1,390	463	836		8,518	524	1.07
S	205	Peoples Independent Telephone Co	Winthrop	1,620	344	314		7,666	941	2.43
M	304	Peoples Telephone Exchange Co	Houston	(3)	(3)	(3)	(3)	(3)	(3)	(3)
S	160	Perham Telephone Exchange Co	Perham	2,305	361	88	350	8,111	923	2.24
S	310	Sacred Heart Telephone Co	Sacred Heart	548	172	181	102	4,328	333	5.40
S	343	Scandia-Marine Telephone Co	Scandia	1,293	388	95	52	8,559	334	1.02
I	2548	Scott-Rice Telephone Co	Farmington	1,401	409	44	17	7,937	1,366	2.93
I	341	Sebeka Home Telephone Co	Sebeka	1,459	257	21	12	5,285	948	6.82
S	201	Sherburne County Rural Telephone Co	Big Lake	1,375	267	52	945	7,525	[5] 231	[5] 1.69
I	333	Tri-City Telephone Co	Hendricks	1,351	235	26		5,809	603	3.57
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	2,027	334	47	17	8,145	212	.53
S	395	Two Rivers Telephone Co	Lancaster	1,444	233	59		6,249	[5] 433	[5] 2.68
S	472	Tyler Telephone Co	Tyler	1,444	365	373	16	9,308	882	2.02
I	374	Valley Telephone Co	Browns Valley	1,078	199	13		5,299	861	3.91
S	31	Walker Telephone Co	Walker	2,337	499	518	[5] 54	8,309	2,127	5.79
C-O	313	Washington County Telephone Co	Cottage Grove	1,314	364	108	28	9,591	178	.31
S	1206	Winsted Telephone Co	Winsted	701	357	43	7	5,256	[5] 228	[5] 1.19
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	1,348	181	113		4,636	[5] 162	[5] 1.03
		Total (74) class D telephone companies		94,060	21,375	8,463	4,495	465,467	41,957	[6] 2.15

Summary of class D telephone companies for the year ended Dec. 31, 1943—Continued

STATION AND CENTRAL OFFICE DATA

No.[1]		Name of company	General office	Subscribers stations: Company-owned			Service stations	Number central offices		
				Local	Rural	Total		Common battery	Magneto	Automatic
I	206	Albany Telephone Exchange	Albany	144	43	187	146		1	
S	256	Annandale Telephone Exchange Co	Annandale	192	274	466		1		1
S	315	Anoka County Mutual Telephone Co	Constance	29	254	283			2	
I	119	Argyle Telephone Co	Argyle	176	82	258	54		1	
I	93	Atwater Telephone Exchange	Atwater	177		177	178	1		
M-C	706	Barnesville Telephone Co	Barnesville	277		277	109	1		
S	102	Bellingham Telephone Co	Bellingham	66	108	174			1	
S	970	Bertha Telephone Co	Bertha	185		185	289			2
I	404	Bricelyn Mutual Telephone Co	Bricelyn	160		160	247		1	
C-P	134	Brownsdale Telephone Exchange Co	Brownsdale	97	164	261	66		1	
S	497	Central Telephone Co	Carlos	44	216	260			1	
S	357	Chisago City Telephone Co	Chisago City	96	307	403			1	
S	34	Chisago County Mutual Telephone Co	Center City	99	532	631			1	
I	344	Citizens Tri-County Telephone Co	Kimball	106	107	213	16		1	
S	359	City and Farmers Telephone Co	Rushford	386		386	394		1	
M	617	Clara City Telephone Exchange Co	Clara City	158		158	279		1	
C-P	328	Claremont Telephone Co	Claremont	82	169	251			1	
S	327	Clarkfield Telephone Co	Clarkfield	203	181	384			1	
S	433	Comfrey Rural Telephone Co	Comfrey	147	186	333			1	
S	181	Cyrus Mutual Telephone Co	Cyrus	81	200	281			1	
S	368	Delavan Telephone Exchange	Delavan	72	203	275		1		
S	281	Dexter Telephone Co	Dexter	41	241	282			1	
I	335	Dodge Center Telephone Exchange Co	Dodge Center	[2]	[2]	[2]	[2]	[2]	[2]	[2]
S	809	East Side Telephone Corp	Isle	84	132	216	14		2	
I	198	Eckles, W. A., Telephone Co	New Prague	275	48	323	30	1		
S	729	Effington Telephone Co	Parkers Prairie	178	161	339	219			2
S	870	Farmers & Merchants Telephone Co	Lanesboro	275		275	190	1		
S	49	Farmers Interurban Telephone Co	Kasson		402	402		1		
M	65	Farmers Telephone Co	Emmons	92	298	390	51		2	
M	72	Farmers Mutual Telephone Co	Wanamingo	129	264	393	23		1	
I	145	Floodwood Telephone Co	Floodwood	107		107	217		1	
C-O	354	Halstadt Telephone Co	Halstad	226	401	627	12		4	
S	85	Hancock Telephone Exchange Association	Hancock	184	3	187	230	1		
S	23	Hanska Rural Telephone Co	Hanska	121	259	380			1	
S	61	Harmony Telephone Exchange Co	Harmony	224		224	259		1	
S	851	Heinola Telephone Co	New York Mills	154	167	321	15		2	
S	237	Hoffman Telephone Co	Hoffman	94	139	233			1	
S	111	Home Telephone Co	Cottonwood	126	30	156	116		1	
S	136	Home Telephone Exchange Co	Grand Meadow	184	251	435			1	

S	352	Kerkhoven & Murdock Telephone Co	Kerkhoven	281	71	352	437		1	2
S	11	Lake Park Telephone Co	Lake Park	128	265	393			1	
I	261	Lake Region Public Service Co	Waverly	143	125	268	58			3
S	2550	Lake Region Telephone Co	Frazee	133	27	160	134			1
C-O	293	Lerdal Telephone Co	Clarks Grove	30	318	348			1	
C-O	432	Lismore Cooperative Telephone Co	Lismore	70	211	281			1	
I	2547	Lonsdale Telephone Co	Lonsdale	78	133	211			1	
S	339	Lowry Telephone Co	Lowry	86	347	433			1	
M	364	Maple Lake Telephone Co	Maple Lake	135	175	310			1	
S	295	Marietta Telephone Co	Marietta	88	131	219			1	
C-P	232	Mazeppa Telephone Co	Mazeppa	102	114	216			1	
S	209	Melrose Telephone Co	Melrose	320	16	336	42		1	
M	299	Milan Mutual Telephone Co	Milan	126	189	315			1	
S	298	Morristown Telephone Co	Morristown	145	172	317			1	
I	934	Northland Telephone Co	Hill City	107	61	168	154		2	
I	55	Osakis Telephone Co	Osakis	204		204	167	1		
I	348	Oslo Telephone Co	Oslo	71	188	259	13		1	
M	565	Park Region Mutual Telephone Co	Dalton	94	489	583			2	
S	205	Peoples Independent Telephone Co	Winthrop	258	107	365		1		
M	304	Peoples Telephone Exchange Co	Houston	[3]	[3]	[3]	[3]	[3]	[3]	[3]
S	160	Perham Telephone Exchange Co	Perham	251	13	264	268	1		
S	310	Sacred Heart Telephone Co	Sacred Heart	119		119	180		1	
S	343	Scandia-Marine Telephone Co	Scandia	65	366	431			1	
I	2548	Scott-Rice Telephone Co	Farmington	133	215	348			3	
I	341	Sebeka Home Telephone Co	Sebeka	129	1	130	358		1	
S	201	Sherburne County Rural Telephone Co	Big Lake	147	128	275			1	2
I	333	Tri-City Telephone Co	Hendricks	124	133	257			1	
C-P	724	Twin Valley-Ulen Telephone Co	Twin Valley	223	166	389	107		2	
S	395	Two Rivers Telephone Co	Lancaster	106	222	328			2	
S	472	Tyler Telephone Co	Tyler	269	244	513	20		1	
I	374	Valley Telephone Co	Browns Valley	203	62	265	57		1	
S	31	Walker Telephone Co	Walker	233	5	238	128	1		
C-O	313	Washington County Telephone Co	Cottage Grove		539	539			1	
S	1206	Winsted Telephone Co	Winsted	128	86	214			1	
S	414	Zumbro Falls Farmers Telephone Co	Zumbro Falls	40	190	230			1	
		Total (74) class D telephone companies		10,240	11,331	21,571	5,277	12	69	13

[1] S=Indicates stock company. M=Indicates mutual company. C-O=Indicates cooperative company. C-P=Indicates copartnership. I=Indicates company owned by individual. M-C=Indicates municipal corporation.

[2] Failed to report.

[3] Report incomplete.

[4] Company as a whole—all other figures Minnesota only.

[5] Indicates reverse entry.

[6] Rate of return calculated on Minnesota investment only or $1,949,610 (Tri-City Telephone Co., $16,888). Financial statements include operation of 88 telephones in North Dakota for which no separation is available.

SUMMARY OF CLASS D COMPANIES

	Number reporting—74			
	1942		1943	
	Amount	Average per station	Amount	Average per station
Fixed capital	$1,911,214	$91.63	$1,963,496	$91.02
Depreciation reserve	799,011	38.31	855,494	39.66
Operating income	460,203	22.06	507,424	23.52
Operating expenses:				
Maintenance	108,167	5.19	120,415	5.58
Depreciation	68,941	3.30	71,639	3.33
Traffic	133,519	6.40	145,020	6.72
General	86,294	4.14	94,060	4.36
Total operating expenses	396,921	19.03	431,134	19.99
State taxes	21,097	1.01	21,375	.99
Federal taxes	7,332	.35	8,463	.39
Uncollectibles and other deductions	4,741	.23	4,495	.21
Total deductions	430,091	20.62	465,467	21.58
Net income	30,112	1.44	41,957	1.95
Ratio net income to fixed capital	1.58 percent		2.15 percent	
Subscribers stations:				
Local	9,911		10,240	
Rural	10,946		11,331	
Total company-owned	20,857		21,571	
Service stations	5,181		5,277	
Number of central offices:				
Common battery	9		12	
Magneto	73		69	
Automatic	12		13	

Summary of class E telephone companies for the year ended Dec. 31, 1942

[Class E companies are those owning a telephone exchange, whose annual average operating revenues are less than $4,000]

GENERAL BALANCE SHEET

	No.[1]	Name of company	General office	Fixed capital, Dec. 31, 1942	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
I	271	Akeley Telephone Co.	Akeley	$13,808	$112	$13,980	$8,422		$1,336
M	1758	Alvarado Telephone Co.	Alvarado	4,685	2,675	7,360	2,050		1,568
C-P	1386	Aro Electric Co.	Aro	4,548	578	5,126	3,315		1,636
S	290	Arvig Telephone Co.	Pequot	21,945	125	22,070			12,696
S	956	Ashby Telephone Co.	Ashby	3,555	2,050	5,605	1,360		1,857
S	2168	Askov Telephone Co.	Askov	18,138	1,638	19,776	4,150		7,821
S	8	Audubon Telephone Co.	Audubon	12,359	5,191	17,550	9,975		7,461
S	1471	Barrett Telephone Co.	Barrett	10,543	185	10,728	4,344		1,441
I	14	Blackduck Telephone Co.	Blackduck	13,445	999	14,444	5,700	$4,700	1,440
S	103	Boyd Telephone Co.	Boyd	10,744	980	11,724	5,700		7,946
I	2440	Brookston Telephone Co.	Brookston	5,045	1,129	6,174	4,328		1,546
S	350	Brooten Telephone Co.	Brooten	9,038	1,203	10,241	4,600		4,882
I	652	Chokio Telephone Co.	Chokio	12,808	4,547	17,445	11,460		4,735
S	276	Citizens Telephone Co.	Maynard	5,463	1,739	7,202	6,365		
I	2577	Wabasso Telephone Co.	Watkins	17,902	6,381	24,283	12,249		11,474
I	257	Clear Valley Telephone Co.	Clearwater	14,659	833	15,492	1,186		12,194
I	207	Commercial Telephone Co.	Belgrade	16,979	223	17,202	6,479		7,777
I	371	Community Rural Telephone Co.	Hugo	5,235	135	5,370	4,323		547
I	2292	Cotton Township Telephone System	Cotton	14,326	300	14,626	14,626		
T	417	Danube Telephone Co.	Danube	15,743	2,195	17,938	6,330		9,684
S	282	Deer Creek Telephone Co.	Deer Creek	22,369	1,970	24,339	9,100	4,911	14,084
S	420	Dent-Star Lake Telephone Co.	Dent	6,722	7,445	14,167	4,475		3,739
C-O	459	Dunnell Farmers Telephone Co.	Dunnell	10,750	919	11,720	4,475		5,847
S	1915	Eagle Bend Telephone Exchange Co.	Eagle Bend	17,870	485	18,364	5,017	7,500	
I	902	Eagle Telephone Co.	Holmes City	4,266	347	4,613	1,600		513
C-O	823	Eagle Valley Telephone Co.	Clarissa	14,487	758	15,245	5,085		9,984
S	506	Easton Telephone Co.	Easton	3,416	179	3,595	775		1,623
S	124	Eden Valley Telephone Exchange Co.	Eden Valley	18,788	3,087	21,875	7,812		12,875
I	935	Elmdale Telephone Co.	Upsala	13,993	1,176	15,169	11,920		132
M	306	Erhard Rural Telephone Central	Erhard	150	322	472	398		24
C-P	155	Eyota Telephone Co.	Eyota	18,605	318	18,923	108	2,050	14,882
I	104	Farmers (The) Mutual Telephone Co.	Dawson	18,823	4,196	23,019	12,650		12,442
M	369	Felton Rural Telephone Co.	Felton	5,203	1,596	6,799	2,125		2,719
S	301	Finlayson Cooperative Telephone Association	Finlayson	13,608	691	14,299	6,720		6,248

Footnotes at end of tapld.

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Fixed capital, Dec. 31, 1942	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
S	1051	Foreston Rural Telephone Co	Foreston	$10,033	$1,151	$11,184	$7,550		$6,291
S	356	Franklin Local & Rural Telephone Co	Franklin	23,436	1,070	24,506	13,570		14,510
S	441	Freeborn Telephone Exchange Co	Freeborn	11,666	3,067	14,733	5,700		8,872
S	208	Freeport Telephone Co	Freeport	15,645	919	16,564	3,373		5,243
M-C	1939	Frost Telephone Exchange	Frost	5,437	3,208	8,645	2,012		4,520
S	113	Garvin Telephone Co	Garvin	7,086	320	7,406	2,000		2,900
I	539	Gary Telephone Co	Gary	(2)	(2)	(2)	(2)	(2)	(2)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	14,533	588	15,121	2,125		8,142
I	2263	Gilman Telephone Co	Gilman	18,938	308	19,246	4,372		4,054
I	378	Glyndon Telephone Exchange	Glyndon	3,200	171	3,371	2,574		557
S	382	Granada Telephone Co	Granada	6,606	974	7,580	2,000		4,236
I	2179	Greenbush Telephone Co	Greenbush	4,242	425	4,667	3,271		850
I	2111	Green Lake Telephone Exchange	Spicer	7,085	197	7,282	4,077		918
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	6,504	1,118	7,622	1,965		3,527
S	347	Hanley Falls Telephone Co	Hanley Falls	6,671	14,109	20,780	15,237		5,543
I	636	Hazel Run Telephone Co	Hazel Run	8,019		8,019	4,747		3,096
S	152	Hendrum Exchange Co	Hendrum	16,842	2,417	19,259	5,500		4,479
I	659	Hills Telephone Exchange	Hills	6,450	2,013	8,463	7,856		607
S	2297	Hollandale Telephone Co	Hollandale	20,635	9,504	30,139	9,540		14,856
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	4,709	1,955	6,664	3,784		3,242
C-P	99	Kennedy Telephone Co	Kennedy	10,860	1,873	12,733	9,010		3,230
I	1599	Kelliher Telephone Co	Kelliher	8,022		8,022	2,869		241
S	370	Kensington Telephone Co	Kensington	13,486	429	13,915	4,545		8,263
C-O	294	Lee Cooperative Telephone Co	Perley	11,833	1,013	12,846	3,845		5,388
M	2233	Little Fork Telephone Exchange	Little Fork	3,591	1,914	5,505	4,924		581
M	1919	Mabel Telephone Exchange Co	Mabel	3,736	4,086	7,822	3,270		1,535
M	300	Manchester Farmers Telephone Co	Manchester	10,531	1,118	11,649	4,731		4,754
S	2152	McGregor Telephone Co	McGregor	10,412	709	11,121	6,000		1,400
S	363	Menahga Telephone Co	Menahga	5,049	340	5,389	2,565		1,103
I	959	Middle River Telephone Co	Middle River	4,949	852	5,801	2,247		3,489
I	68	Minnesota Lake Telephone Co	Minnesota Lake	11,711	380	12,091	7,072		9
C-P	618	Nevis Telephone Co	Nevis	3,432	288	3,720	3,007	$335	356
C-P	392	New London Telephone Co	New London	6,325	4,079	10,404	7,138		3,266
S	1774	Northwestern Minnesota Telephone Co	Strandquist	10,599	2,601	13,200	3,840		7,525
C-P	553	Oakland Telephone Co	Oakland	2,851	643	3,494	3,216		234
I	1172	Orinoco Telephone Co	Orinoco	7,075	610	7,685	3,783		2,002
C-O	1761	Peoples Cooperative Telephone Co	Williams	14,725	6,439	21,164	7,818	990	6,181

S	1908	Peoples Telephone Co	Big Fork	5,149	662	5,811	790		1,121
S	345	Pine River Rural Telephone Co	Pine River	20,796	170	20,966	4,725	20,534	11,070
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	9,507	535	10,042	7,275		1,824
I	2112	Racine Telephone Co	Racine	8,999	719	9,718	6,918		1,815
S	1177	Remer Rural Telephone Co	Remer	13,316	184	13,500	14,610	2,159	1,191
S	219	Richmond Telephone Co	Richmond	21,164	1,198	22,362	12,500		16,784
S	39	Rollag Telephone Co	Hawley	8,475	4,604	13,079	10,485		2,743
S	250	Rothsay Telephone Co	Rothsay	11,656	1,223	12,879	5,450		4,460
I	2062	Russell Telephone Co	Russell	7,734	140	7,874	1,239		6,635
I	548	Ruthton Telephone Co	Ruthton	8,157	1,603	9,760	9,365		395
S	458	St. Clair Telephone Co	St. Clair	4,190	282	4,472	1,341		2,931
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove	7,367	3,117	10,484	4,650		5,403
S	1333	Spring Hill Rural Telephone Co	Spring Hill	10,020	1,225	11,245	10,020		950
M	421	Stacy Telephone Co	Stacy	5,912	2,364	8,276	3,660		3,593
M	1089	Stokes-Neresen & Barnett Telephone Co	Badger	6,755	3,239	9,994	4,360		1,526
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	21,879	777	22,656	7,975		13,987
I	390	Vergas Telephone Co	Vergas	6,620	199	6,819	4,324		1,145
I	235	Verndale Telephone Co	Verndale	12,483	1,502	13,985	7,145		5,035
C-O	2171	Village Cooperative Telephone Co	Spring Grove	6,218	1,807	8,025	5,400		3,539
C-P	353	Villard Telephone Co	Villard	4,904	243	5,147	608		3,325
M	1748	Warba Telephone Co	Warba	8,984	1,743	10,727	2,513	4,998	62
I	1023	Wendell Telephone Co	Wendell	3,098	833	3,931	409		2,122
C-O	2101	Wolverton Telephone Co	Wolverton	7,373	1,995	9,368	2,800		2,070
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff	2,816	1,142	3,958	2,616		600
S	153	Zumbro Valley Telephone Co	Byron	20,215	961	21,176	5,000		7,783
		Total (96) class E companies		980,719	153,060	1,133,779	507,368	48,177	431,191

See footnote at end of table.

78563—45——75

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
				Other liabilities	Corporate surplus	Total liabilities	Total operating revenues	Income deductions: Operating expenses		
								Maintenance	Depreciation	Traffic
I	271	Akeley Telephone Co	Akeley		$4,222	$13,980	$2,657	$552	$489	$1,642
M	1786	Alvarado Telephone Co	Alvarado		3,742	7,360	2,118	345	100	1,200
C-P	386	Arco Electric Co	Arco	$175		5,126	2,230	727	142	851
S	290	Arvig Telephone Co	Pequot	36,229	[3] 26,254	22,070	3,229	1,500	898	1,131
S	956	Ashby Telephone Co	Ashby	61	2,697	5,605	2,056	130	107	1,157
S	2168	Askov Telephone Co	Askov	7,316	1,029	19,776	3,560	977	457	798
S	8	Audubon Telephone Co	Audubon	39	69	17,550	3,467	747	247	575
S	1471	Barrett Telephone Co	Barrett	6,161	[3] 1,824	10,528	2,073	703	532	120
I	14	Blackduck Telephone Co	Blackduck			14,484	3,930	19	579	1,024
S	103	Boyd Telephone Co	Boyd	153	[3] 2,075	11,724	2,986	859	600	1,169
I	2440	Brookston Telephone Co	Brookston			6,174	935	70	208	575
S	350	Brooten Telephone Co	Brooten		759	10,241	3,240	871	250	1,573
I	652	Chokio Telephone Co	Chokio	1,250		17,445	3,037	507	375	906
S	276	Citizens Telephone Co	Maynard	400	437	7,202	3,408	312	600	1,661
I	297	Watkins Telephone Co	Watkins	560		24,283	3,453	1,040	706	1,005
I	257	Clear Valley Telephone Co	Clearwater	2,112		15,492	1,985	951	293	677
I	207	Commercial Telephone Co	Belgrade	2,946		17,202	3,340	961	450	1,200
I	371	Community Rural Telephone Co	Hugo	300		5,370	2,855	165	247	2,336
T	2292	Cotton Township Telephone System	Cotton			14,626	2,848	495		540
S	417	Danube Telephone Co	Danube		1,924	17,938	4,246	896	633	1,354
S	282	Deer Creek Telephone Co	Deer Creek	6,069	[3] 9,781	24,279	3,212	1,168	531	
C-O	420	Dent-Star Lake Telephone Co	Dent		3,687	7,165	1,841	574	274	875
S	459	Dunnell Farmers Telephone Co	Dunnell	782	2,724	11,720	3,484	1,122	441	1,317
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend			18,364	3,548	807	261	1,441
C-O	902	Eagle Telephone Co	Holmes City	287	2,213	4,613	799	100	140	475
S	823	Eagle Valley Telephone Co	Clarissa		176	15,245	4,039	1,369	573	2,168
S	505	Easton Telephone Co	Easton	2,578	[3] 1,381	3,595	2,671	1,433	135	586
I	124	Eden Valley Telephone Exchange Co	Eden Valley	1,188		21,875	3,948	856	741	1,046
M	935	Elmdale Telephone Co	Upsala	3,005	112	15,169	4,170	2,243	386	1,050
C-P	306	Erhard Rural Telephone Central	Erhard	50		472	472	20	6	360
I	155	Eyota Telephone Co	Eyota	1,823		18,923	3,562	996	651	1,349
M	104	Farmers (The) Mutual Telephone Co	Dawson	144	[3] 2,217	23,019	2,608	1,209	671	698
S	369	Felton Rural Telephone Co	Felton		2,195	6,799	1,442	330	146	630

S	301	Finlayson Cooperative Telephone Association	Finlayson		1,331	14,299	2,946	441	840	956
S	1051	Foreston Rural Telephone Co	Foreston	30	[3] 2,687	11,184	2,010	43	302	1,057
S	356	Franklin Local & Rural Telephone Co	Franklin	580	[3] 4,154	24,506	3,452	634	946	1,166
S	441	Freeborn Telephone Exchange Co	Freeborn	669	[3] 508	14,733	2,027	198	446	985
S	208	Freeport Telephone Co	Freeport	7,948		16,564	3,379	1,144	536	950
M-C	1939	Frost Telephone Exchange	Frost	536	1,577	8,645	3,269	145	272	1,210
S	113	Garvin Telephone Co	Garvin	446	2,060	7,406	1,083	214	150	510
I	539	Gary Telephone Co	Gary	[2]	[2]	[2]	[2]	[2]	[2]	[2]
C-P	1860	Ghent Cooperative Telephone Co	Ghent		4,854	15,121	2,069	292	560	720
I	2263	Gilman Telephone Co	Gilman	10,820		19,246	3,533	1,053	400	1,557
I	378	Glyndon Telephone Exchange	Glyndon	240		3,371	1,307	241	103	603
S	382	Granada Telephone Co	Granada		1,344	7,580	2,382	450	229	1,321
I	2179	Greenbush Telephone Co	Greenbush	546		4,667	2,390	178	123	1,674
I	2111	Green Lake Telephone Exchange	Spicer	2,287		7,282	3,018	409	300	1,212
S	879	Grey Eagle Rural Telephone Co	Grey Eagle		2,130	7,622	3,100	1,082	200	1,095
S	347	Hanley Falls Telephone Co	Hanley Falls			20,780	2,766	495	200	411
I	636	Hazel Run Telephone Co	Hazel Run	176		8,019	1,907	694	402	848
S	152	Hendrum Exchange Co	Hendrum	8,977	303	19,259	3,308	499	600	1,143
I	659	Hills Telephone Exchange	Hills			8,463	1,873		200	1,216
S	2297	Hollandale Telephone Co	Hollandale	2,726	3,017	30,139	3,766	183	825	496
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	148	[3] 510	6,664	1,407	179	189	960
C-P	99	Kennedy Telephone Co	Kennedy	493		12,733	3,913	728	150	1,559
I	1599	Kelliher Telephone Co	Kelliher	4,912		8,022	3,290	512	200	1,200
S	370	Kensington Telephone Co	Kensington	116	991	13,915	3,298	677	539	1,149
C-O	294	Lee Cooperative Telephone Co	Perley		3,613	12,846	2,474	1,138	150	830
M	2233	Little Fork Telephone Exchange	Little Fork			5,505	2,457	67	50	1,242
M	1919	Mabel Telephone Exchange Co	Mabel		3,017	7,822	2,754	48	80	2,080
M	300	Manchester Farmers Telephone Co	Manchester	450	1,714	11,649	3,778	1,091	414	960
S	2152	McGregor Telephone Co	McGregor	4,472	[3] 751	11,121	2,394	847	350	
S	363	Menahga Telephone Co	Menahga	1,429	292	5,389	3,193	795	201	1,196
I	959	Middle River Telephone Co	Middle River	65		5,801	1,630	155	124	960
I	68	Minnesota Lake Telephone Co	Minnesota Lake	5,010		12,091	3,813	511	275	869
C-P	618	Nevis Telephone Co	Nevis	22		3,720	1,474	10	125	608
C-P	392	New London Telephone Co	New London			10,404	3,519	275	200	1,406
S	1774	Northwestern Minnesota Telephone Co	Strandquist	63	1,772	13,200	3,098	815	204	1,393
C-P	553	Oakland Telephone Co	Oakland	44		3,494	2,077	709	114	626
I	1172	Oronoco Telephone Co	Oronoco	1,900		7,685	1,682	495	112	759
C-O	1761	Peoples Cooperative Telephone Co	Williams	3,423	2,752	21,164	2,388	218	323	616
S	1908	Peoples Telephone Co	Big Fork		3,900	5,811	2,818	358	100	960
S	345	Pine River Rural Telephone Co	Pine River	12,897	[3] 28,260	20,966	3,842	1,762	806	1,224
M	396	Prinsburg Farm Mutual Telephone Co	Prinsburg		943	10,042	3,349	467	450	1,192
I	2112	Racine Telephone Co	Racine	985		9,718	2,412	329	446	114
S	1177	Remer Rural Telephone Co	Remer		[3] 4,460	13,500	3,146	84	666	1,620
S	219	Richmond Telephone Co	Richmond	7,517	[3] 14,439	22,362	2,911	984	375	1,109
S	39	Rollag Telephone Co	Hawley	1,455	[3] 1,604	13,079	2,330	643	200	1,116
S	250	Rothsay Telephone Co	Rothsay	1,000	1,969	12,879	2,944	381	300	1,509
I	2062	Russell Telephone Co	Russell			7,874	2,114	551	387	1,040
I	548	Ruthton Telephone Co	Ruthton			9,760	3,069	1,080	300	581
S	458	St. Clair Telephone Co	St. Clair	200		4,472	2,016	62	166	780
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove		431	10,484	3,319	181	184	1,450

Footnotes at end of table.

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
							Total operating revenues	Income deductions: Operating expenses		
				Other liabilities	Corporate surplus	Total liabilities		Maintenance	Depreciation	Traffic
S	1333	Spring Hill Rural Telephone Co	Spring Hill	$800	[3] $525	$11,245	$2,932	$1,150	$150	$960
M	421	Stacy Telephone Co	Stacy	274	749	8,276	1,340	278	174	620
M	1089	Stokes-Neresen & Barnett Telephone Co	Badger	142	3,966	9,994	2,432	310	162	946
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	422	272	22,656	3,115	1,233	656	636
I	390	Vergas Telephone Co	Vergas	1,350		6,819	2,314	695	200	915
I	235	Verndale Telephone Co	Verndale	1,805		13,985	3,087	844	470	867
C-O	2171	Village Cooperative Telephone Co	Spring Grove		[3] 914	5,025	2,134	595	244	895
C-P	353	Villard Telephone Co	Villard	1,214		5,147	2,323	726	196	627
M	1748	Warba Telephone Co	Warba	196	2,958	10,727	2,084	459	190	776
I	1023	Wendell Telephone Co	Wendell	1,400		3,931	1,685	244	86	
C-O	2101	Wolverton Telephone Co	Wolverton	14	4,484	9,368	2,481	311	185	1,045
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff		742	3,958	2,105	102	100	1,491
S	153	Zumbro Valley Telephone Co	Byron	5,262	3,131	21,176	3,298	1,027	747	1,096
		Total (96) class E companies		169,089	[3] 22,046	1,133,779	257,273	57,575	32,243	94,601

INCOME ACCOUNT

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
I	271	Akeley Telephone Co	Akeley	$970	$106	$10	$23	$3,792	[3] $1,135	[3] 8.18
M	1786	Alvarado Telephone Co	Alvarado	230	73	23		1,971	147	3.14
C-P	386	Arco Electric Co	Arco	74	88	8	180	2,070	160	3.52
S	290	Arvig Telephone Co	Pequot	480	134	20		4,163	[3] 934	[3] 4.26
S	956	Ashby Telephone Co	Ashby	356	84	73		1,907	149	4.19
S	2168	Askov Telephone Co	Askov	655	142	22	16	3,067	493	2.72
S	8	Audubon Telephone Co	Audubon	1,443	134	123	93	3,362	105	.85
S	1471	Barrett Telephone Co	Barrett	183	83	142		1,763	310	3.00
I	14	Blackduck Telephone Co	Blackduck	2,229	498	9		4,358	[3] 428	[3] 3.17
S	103	Boyd Telephone Co	Boyd	797	116	31		3,572	[3] 586	[3] 5.45
I	2440	Brookston Telephone Co	Brookston	227	37		182	1,299	[3] 364	[3] 7.21
S	350	Brooten Telephone Co	Brooten	469	129	25		3,317	[3] 77	[3] .85
I	652	Chokio Telephone Co	Chokio	913	267	11		2,979	58	.45
S	276	Citizens Telephone Co	Maynard	335	132	16		3,056	352	6.44
I	297	Watkins Telephone Co	Watkins	495	180	40	47	3,513	[3] 60	[3] .34
I	257	Clear Valley Telephone Co	Clearwater	550	85			2,556	[3] 571	[3] 3.90
I	207	Commercial Telephone Co	Belgrade	594	128	20		3,353	[3] 13	[3] .08
I	371	Community Rural Telephone Co	Hugo	107	115			2,970	[3] 115	[3] 2.20
T	2292	Cotton Township Telephone System	Cotton	426				1,461	1,387	9.68
S	417	Danube Telephone Co	Danube	475	182	521		4,061	185	1.18
S	282	Deer Creek Telephone Co	Deer Creek	1,023	131	14		2,867	345	1.55
C-O	420	Dent-Star Lake Telephone Co	Dent	227	82	9		2,041	[3] 200	[3] 2.98
S	459	Dunnell Farmers Telephone Co	Dunnell	530	147	83		3,640	[3] 156	[3] 1.44
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend	596	138	5		3,248	300	1.68
C-O	902	Eagle Telephone Co	Holmes City	125	27	21		888	[3] 89	[3] 2.09
S	823	Eagle Valley Telephone Co	Clarissa	429	149	14	189	4,891	[3] 852	[3] 5.88
S	505	Easton Telephone Co	Easton	614	88	35		2,891	[3] 220	[3] 6.44
I	124	Eden Valley Telephone Exchange Co	Eden Valley	526	211	47		3,427	521	2.77
M	935	Ellendale Telephone Co	Upsala	391	170	23		4,263	[3] 93	[3] .66
C-P	306	Erhard Rural Telephone Central	Erhard	41	42	19		488	[3] 16	[3] 10.67
I	155	Eyota Telephone Co	Eyota	721	140	10		3,867	[3] 305	[3] 1.64
M	104	Farmers (The) Mutual Telephone Co	Dawson	346	97	27	367	3,415	[3] 807	[3] 4.29
S	369	Felton Rural Telephone Co	Felton	334	64	19	127	1,650	[3] 208	[3] 4.00
S	301	Finlayson Cooperative Telephone Association	Finlayson	494	119	63		2,913	33	.24
S	1051	Foreston Rural Telephone Co	Foreston	244	148	24	10	1,828	182	1.81
S	356	Franklin Local & Rural Telephone Co	Franklin	616	134	17		3,513	[3] 61	[3] .26
S	441	Freeborn Telephone Exchange Co	Freeborn	381	84	69	236	2,399	[3] 372	[3] 3.19

Footnotes at end of table.

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

INCOME ACCOUNT—Continued

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
S	208	Freeport Telephone Co	Freeport	$670	$135	$7		$3,442	[3] $63	[3] $0.40
M-C	1939	Frost Telephone Exchange	Frost	1,633				3,260	9	.17
S	113	Garvin Telephone Co	Garvin	267	48	141		1,330	[3] 247	[3] 3.49
I	539	Gary Telephone Co	Gary	(2)	(2)	(2)	(2)	(2)	(2)	(2)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	284	94	22	$183	2,155	[3] 86	[3] .59
I	2263	Gilman Telephone Co	Gilman	1,076	153	17		4,256	[3] 723	[3] 3.82
I	378	Glyndon Telephone Exchange	Glyndon	302	52			1,301	6	.19
S	382	Granada Telephone Co	Granada	412	109	34	34	2,589	[3] 207	[3] 3.13
I	2179	Greenbush Telephone Co	Greenbush	245	98	10		2,328	62	1.46
I	2111	Green Lake Telephone Exchange	Spicer	847	116			2,884	134	1.89
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	528	119	21	90	3,135	[3] 35	[3] .54
S	347	Hanley Falls Telephone Co	Hanley Falls	827	121		83	2,137	629	9.43
I	636	Hazel Run Telephone Co	Hazel Run	194	109	16		2,263	[3] 345	[3] 4.44
S	152	Hendrum Exchange Co	Hendrum	1,198	107	15	[3] 39	3,523	[3] 215	[3] 1.28
I	659	Hills Telephone Exchange	Hills	225	75	6		1,722	151	2.34
S	2297	Hollandale Telephone Co	Hollandale	728	127	47		2,406	1,360	6.59
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	101	55	10		1,494	[3] 87	[3] 1.85
C-P	99	Kennedy Telephone Co	Kennedy	932	159	2	304	3,834	79	.73
I	1599	Kelliher Telephone Co	Kelliher	1,444	124	28	128	3,636	[3] 346	[3] 4.31
S	370	Kensington Telephone Co	Kensington	528	112	19	17	3,041	257	1.91
C-O	294	Lee Cooperative Telephone Co	Perley	310	102	15		2,545	[3] 71	[3] .60
M	2233	Little Fork Telephone Exchange	Little Fork	599	98	28	8	2,092	365	10.14
M	1919	Mabel Telephone Exchange Co	Mabel	307	108	22		2,645	109	2.92
M	300	Manchester Farmers Telephone Co	Manchester	206	146	22		2,839	939	8.92
S	2152	McGregor Telephone Co	McGregor	1,055	98	27		2,377	17	.16
S	363	Menahga Telephone Co	Menahga	958	128	49	12	3,339	[3] 146	[3] 2.89
I	959	Middle River Telephone Co	Middle River	337	65			1,641	[3] 11	[3] .22
I	68	Minnesota Lake Telephone Co	Minnesota Lake	1,600	152	17	21	3,445	368	3.14
C-P	618	Nevis Telephone Co	Nevis	497	59		26	1,325	149	4.34
C-P	392	New London Telephone Co	New London	667	130	20		2,698	821	12.98
S	1774	Northwestern Minnesota Telephone Co	Strandquist	430	130	155	73	3,200	[3] 102	[3] .96
C-P	553	Oakland Telephone Co	Oakland	407	78	40	42	2,016	61	2.14
I	1172	Oronoco Telephone Co	Oronoco	417	59		20	1,862	[3] 180	[3] 2.54

C-O	1761	Peoples Cooperative Telephone Co	Williams	600	109	10		1,876	512	3.48
S	1908	Peoples Telephone Co	Big Fork	492	113	7		2,030	738	15.30
S	345	Pine River Rural Telephone Co	Pine River	487	159	46		4,484	[3] 642	[3] 3.08
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	492	93	69		2,763	586	6.16
I	2112	Racine Telephone Co	Racine	1,154	99	8		2,150	262	2.91
S	1177	Remer Rural Telephone Co	Remer	1,428	126	28		3,952	[3] 806	[3] 6.05
S	219	Richmond Telephone Co	Richmond	349	93	21		2,931	[3] 20	[3] .09
S	39	Rollag Telephone Co	Hawley	124	67	35	157	2,342	[3] 12	[3] .14
S	250	Rothsay Telephone Co	Rothsay	720	173	21	36	3,140	[3] 196	[3] 1.68
I	2062	Russell Telephone Co	Russell	208	85	10		2,281	[3] 167	[3] 2.16
I	548	Ruthton Telephone Co	Ruthton	686	125			2,772	297	3.64
S	458	St. Clair Telephone Co	St. Clair	852	81	16		1,957	59	1.41
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove	677	119	17		2,628	691	9.38
S	1333	Spring Hil Rural Telephone Co	Spring Hill	595	137	21		3,013	[3] 81	[3] .81
M	421	Stacy Telephone Co	Stacy	295	54	14		1,435	[3] 95	[3] 1.61
M	1089	Stokes-Neresen & Barnett Telephone Co	Badger	317	108	14		1,857	575	8.51
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	388	138	28		3,079	36	.16
I	390	Vergas Telephone Co	Vergas	396	92		10	2,308	6	.09
I	235	Verndale Telephone Co	Verndale	812	150			3,143	[3] 56	[3] .45
C-O	2171	Village Cooperative Telephone Co	Spring Grove	116	43		16	1,909	225	3.62
C-P	353	Villard Telephone Co	Villard	478	93	1	10	2,131	192	3.92
M	1748	Warba Telephone Co	Warba	451	156	38	18	2,088	[3] 4	[3] .04
I	1023	Wendell Telephone Co	Wendell	1,051	67			1,448	237	7.65
C-O	2101	Wolverton Telephone Co	Wolverton	314	81	20	254	2,210	271	3.68
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff	393	83	15		2,184	[3] 79	[3] 2.81
S	153	Zumbro Valley Telephone Co	Byron	715	109	44		3,798	[3] 500	[3] 2.47
		Total (96) class E companies		54,467	10,763	2,866	2,973	255,488	1,785	.18

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

STATION AND CENTRAL OFFICE DATA

No.[1]		Name of company	General office	Subscribers stations: Company-owned			Service stations	Number central offices		
				Local	Rural	Total		Common battery	Magneto	Automatic
I	271	Akeley Telephone Co	Akeley	66	21	87	73		1	
M	1786	Alvarado Telephone Co	Alvarado	58	59	117	24		1	
C-P	386	Arco Electric Co	Arco	37	83	120			1	
S	290	Arvig Telephone Co	Pequot	44	36	80	14		1	
S	956	Ashby Telephone Co	Ashby	68		68	170		1	
S	2168	Askov Telephone Co	Askov	72	111	183			1	
S	8	Audubon Telephone Co	Audubon	54	209	263			1	
S	1471	Barrett Telephone Co	Barrett	59		59	85			1
I	14	Blackduck Telephone Co	Blackduck	91	2	93	235	1		
S	103	Boyd Telephone Co	Boyd	74	77	151			1	
I	2440	Brookston Telephone Co	Brookston	14	28	42			1	
S	350	Brooten Telephone Co	Brooten	123		123	150		1	
I	652	Chokio Telephone Co	Chokio	79		79	142		1	
S	276	Citizens Telephone Co	Maynard	89		89	215		1	
I	297	Watkins Telephone Co	Watkins	93	60	153			1	
I	257	Clear Valley Telephone Co	Clearwater	43	20	63			1	1
I	207	Commercial Telephone Co	Belgrade	92	21	113	95		1	
I	371	Community Rural Telephone Co	Hugo	23	65	88			1	
T	2292	Cotton Township Telephone System	Cotton	7	80	87	1		1	
S	417	Danube Telephone Co	Danube	70	126	196	31		1	
S	282	Deer Creek Telephone Co	Deer Creek	46	95	141	2			1
C-O	420	Dent-Star Lake Telephone Co	Dent	12	152	164			1	
S	459	Dunnell Farmers Telephone Co	Dunnell	69	148	217			1	
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend	93		93	203		1	
C-O	902	Eagle Telephone Co	Holmes City	11	45	56			1	
S	823	Eagle Valley Telephone Co	Clarissa	72	183	255			1	
S	505	Easton Telephone Co	Easton	63	13	76	83		1	
I	124	Eden Valley Telephone Exchange Co	Eden Valley	103	62	165			1	
M	935	Elmdale Telephone Co	Upsala	69	328	397			1	
C-P	306	Erhard Rural Telephone Central	Erhard				68		1	
I	155	Eyota Telephone Co	Eyota	70	76	146	18		1	
M	104	Farmers (The) Mutual Telephone Co	Dawson		205	205			1	
S	369	Felton Rural Telephone Co	Felton	11	60	71			1	
S	301	Finlayson Cooperative Telephone Association	Finlayson	45	89	134	48		1	
S	1051	Foreston Rural Telephone Co	Foreston	20	127	147			1	
S	356	Franklin Local & Rural Telephone Co	Franklin	79	63	142		1		
S	441	Freeborn Telephone Exchange Co	Freeborn	44	63	107	8		1	
S	208	Freeport Telephone Co	Freeport	66	142	208			1	

M-C	1939	Frost Telephone Exchange	Frost	53		53	127		1	
S	113	Garvin Telephone Co	Garvin	36	34	70	71		1	
I	539	Gary Telephone Co	Gary	(2)	(2)	(2)	(2)	(2)	(2)	(2)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	47	87	134			1	
I	2263	Gilman Telephone Co	Gilman	78	56	134	118		1	1
I	378	Glyndon Telephone Exchange	Glyndon	43	28	71			1	
S	382	Granada Telephone Co	Granada	75		75	96		1	
I	2179	Greenbush Telephone Co	Greenbush	63		63	163		1	
I	2111	Green Lake Telephone Exchange	Spicer	124		124	81		1	
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	49	154	203			1	
S	347	Hanley Falls Telephone Co	Hanley Falls	71	66	137			1	
I	636	Hazel Run Telephone Co	Hazel Run	27	82	109			1	
S	152	Hendrum Exchange Co	Hendrum	47	123	C 170			1	
I	659	Hills Telephone Exchange	Hills	77		77	53			1
S	2297	Hollandale Telephone Co	Hollandale	65	51	116			1	
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	6	99	105			1	
C-P	99	Kennedy Telephone Co	Kennedy	73	127	200			1	
I	1599	Kelliher Telephone Co	Kelliher	66	46	112	186		1	
S	370	Kensington Telephone Co	Kensington	49	126	175			1	
C-O	294	Lee Cooperative Telephone Co	Perley	26	142	168				
M	2233	Little Fork Telephone Exchange	Little Fork	80		80	81	1		
M	1919	Mabel Telephone Exchange Co	Mabel				569		1	
M	300	Manchester Farmers Telephone Co	Manchester	54	220	274	35		2	
S	2152	McGregor Telephone Co	McGregor	32	57	89				1
S	363	Menahga Telephone Co	Menahga	70	5	75	180		1	
I	959	Middle River Telephone Co	Middle River	39		39	59		1	
I	68	Minnesota Lake Telephone Co	Minnesota Lake	102	73	175	15		1	
C-P	618	Nevis Telephone Co	Nevis	51	4	55	61		1	
C-P	392	New London Telephone Co	New London	111		111	173		1	
S	1774	Northwestern Minnestoa Telephone Co	Strandquist	20	173	193	46		2	
C-P	553	Oakland Telephone Co	Oakland		102	102			1	
I	1172	Oronoco Telephone Co	Oronoco	32	57	89			1	
C-O	1761	Peoples Cooperative Telephone Co	Williams	64	71	135			1	
S	1908	Peoples Telephone Co	Big Fork	93	2	95	94		1	
S	345	Pine River Rural Telephone Co	Pine River	67	25	92	40		1	
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	5	184	189				1
I	2112	Racine Telephone Co	Racine	44	52	96	14			
S	1177	Remer Rural Telephone Co	Remer	77	46	123	132	1		
S	219	Richmond Telephone Co	Richmond	48	112	160			2	
S	39	Rollag Telephone Co	Hawley		195	195			2	
S	250	Rothsay Telephone Co	Rothsay	51	75	126	85		1	
I	2062	Russell Telephone Co	Russell	65		65	95		1	
I	548	Ruthton Telephone Co	Ruthton	84	82	166			2	
S	458	St. Clair Telephone Co	St. Clair	59	7	66	79		1	
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove				335		1	
S	1333	Spring Hill Rural Telephone Co	Spring Hill	30	134	164	16		1	
M	421	Stacy Telephone Co	Stacy	2	111	113			1	
M	1089	Stokes-Neresen & Barnett Telephone Co	Badger	48	104	152	48		1	
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	41	108	149			1	
I	390	Vergas Telephone Co	Vergas	38	81	119	31		1	

Summary of class E telephone companies for the year ended Dec. 31, 1942—Continued

STATION AND CENTRL OFFICE DATA—Continued

No.[1]		Name of company	General office	Subscribers stations: Company-owned			Service stations	Number central offices		
				Local	Rural	Total		Common battery	Magneto	Automatic
I	235	Verndale Telephone Co	Verndale	73	22	95	99		1	
C-O	2171	Village Cooperative Telephone Co	Spring Grove	210		210				
C-P	353	Villard Telephone Co	Villard	48	48	96	48		1	
M	1748	Warba Telephone Co	Warba	14	117	131	2		1	
I	1023	Wendell Telephone Co	Wendell	57		57	111		1	
C-O	2101	Wolverton Telephone Co	Wolverton	36	64	100			1	
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff				165		1	
S	153	Zumbro Valley Telephone Co	Byron	79	104	183			1	
		Total (96) class E companies		5,128	6,505	11,633	5,173	4	90	7

[1] S=Indicates stock company. M=Indicates mutual company. C-O=Indicates cooperative company. C-P=Indicates copartnership. I=Indicates company owned by an individual. M-C=Indicates municipal corporation. T=Indicates township corporation. C=Proportion of system charged.
[2] Failed to report.
[3] Indicates reverse entry.

Summary of class E telephone companies for the year ended Dec. 31, 1943

[Class E companies are those owning a telephone exchange, whose annual average operating revenues are less than $4,000]

GENERAL BALANCE SHEET

No.[1]		Name of company	General office	Fixed capital, Dec. 31, 1943	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
I	271	Akeley Telephone Co	Akeley	$13,892	$314	$14,206	$7,995		$1,798
M	1786	Alvarado Telephone Co	Alvarado	5,351	2,020	7,371	2,050		1,668
C-P	386	Arco Electric Co	Arco	4,569	1,056	5,625	3,715		1,782
S	290	Arvig Telephone Co	Pequot	21,901	109	22,010			12,673
S	956	Ashby Telephone Co	Ashby	3,574	2,464	6,038	1,360		1,487
S	2168	Askov Telephone Co	Askov	18,158	1,649	19,807	4,150		7,557
S	8	Audubon Telephone Co	Audubon	12,753	4,953	17,706	9,825		7,477
S	1471	Barrett Telephone Co	Barrett	12,186	472	12,658	4,750		1,838
I	14	Blackduck Telephone Co	Blackduck	14,077	556	14,633	9,129		2,004
S	103	Boyd Telephone Co	Boyd	10,744	1,163	11,907	5,700		8,546
I	2440	Brookston Telephone Co	Brookston	4,838	826	5,664	4,345		1,319
S	350	Brooten Telephone Co	Brooten	9,263	1,435	10,698	4,600		5,382
I	652	Chokio Telephone Co	Chokio	12,889	5,583	18,472	11,650		5,047
S	276	Citizens Telephone Co	Maynard	5,533	1,936	7,469	6,365		
I	297	Watkins Telephone Co	Watkins	18,061	6,408	24,469	12,120		12,349
I	257	Clear Valley Telephone Co	Clearwater	15,166	528	15,694	1,198		12,164
I	207	Commercial Telephone Co	Belgrade	17,824	1,110	18,934	7,439		8,191
I	371	Community Rural Telephone Co	Hugo	[2]	[2]	[3]	[3]	[3]	[3]
T	2292	Cotton Township Telephone System	Cotton	14,426	300	14,726	14,726		
S	417	Danube Telephone Co	Danube	15,836	3,147	18,983	6,330		10,321
S	282	Deer Creek Telephone Co	Deer Creek	23,090	1,789	24,879	9,000	$4,451	14,289
C-O	420	Dent-Star Lake Telephone Co	Dent	6,609	820	7,429	2,130		1,646
S	459	Dunnell Farmers Telephone Co	Dunnell	10,950	1,027	11,977	4,275		4,180
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend	17,966	913	18,879	5,285	7,500	6,094
C-O	902	Eagle Telephone Co	Holmes City	4,266	317	4,583	1,650		543
S	823	Eagle Valley Telephone Co	Clarissa	14,535	1,441	15,976	5,085		10,564
S	505	Easton Telephone Co	Easton	3,427	280	3,707	775		1,760
I	124	Eden Valley Telephone Exchange Co	Eden Valley	19,145	2,594	21,739	7,938		13,801
M	935	Elmdale Telephone Co	Upsala	13,996	896	14,892	11,920		532
C-P	306	Erhard Rural Telephone Central	Erhard	150	297	447	417		30
I	155	Eyota Telephone Co	Eyota	18,694	382	19,076	136	2,050	15,055
M	104	Farmers (The) Mutual Telephone Co	Dawson	19,214	3,797	23,011	12,650		13,133
S	369	Felton Rural Telephone Co	Felton	5,003	1,738	6,741	2,125		2,425
S	301	Finlayson Cooperative Telephone Association	Finlayson	13,567	1,390	14,957	6,720		6,488

Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Fixed capital, Dec. 31, 1942	Other assets	Total assets	Liabilities		
							Capital stock or proprietor's account	Funded debt	Depreciation reserve
S	1051	Foreston Rural Telephone Co	Foreston	$10,221	$1,051	$11,272	$7,550		$6,214
S	356	Franklin Local & Rural Telephone Co	Franklin	24,051	1,294	25,345	13,570		15,774
S	441	Freeborn Telephone Exchange Co	Freeborn	11,746	2,531	14,277	5,700		9,339
S	208	Freeport Telephone Co	Freeport	15,725	720	16,445	3,319		5,759
M-C	1939	Frost Telephone Exchange	Frost	5,537	3,462	8,999	2,012		4,797
S	113	Garvin Telephone Co	Garvin	7,244	413	7,657	2,000	71	3,050
I	539	Gary Telephone Co	Gary	(3)	(3)	(3)	(3)	(3)	(3)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	14,718	1,112	15,830	2,125		8,352
I	2263	Gilman Telephone Co	Gilman	18,503	303	18,806	3,921		4,119
I	378	Glyndon Telephone Exchange	Glyndon	3,200	48	3,248	2,587		661
S	382	Granada Telephone Co	Granada	6,606	990	7,596	2,000		4,465
I	2179	Greenbush Telephone Co	Greenbush	4,387	431	4,818	3,404		956
I	2111	Green Lake Telephone Exchange	Spicer	6,895	234	7,129	4,585		938
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	6,499	1,570	8,069	1,965		3,783
S	347	Hanley Falls Telephone Co	Hanley Falls	6,768	15,051	21,819	16,073		5,746
I	636	Hazel Run Telephone Co	Hazel Run	8,189		8,189	4,316		3,329
S	152	Hendrum Exchange Co	Hendrum	16,209	2,201	18,410	5,500		4,530
I	659	Hills Telephone Exchange	Hills	6,450	1,968	8,418	7,810		608
S	2297	Hollandale Telephone Co	Hollandale	20,635	11,427	32,062	9,540		15,682
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	4,719	2,192	6,911	3,784		3,431
C-P	99	Kennedy Telephone Co	Kennedy	11,326	1,716	13,042	8,078		3,380
I	1599	Kelliher Telephone Co	Kelliher	8,022		8,022	3,883		440
S	370	Kensington Telephone Co	Kensington	13,756	346	14,102	4,545		8,470
C-O	294	Lee Cooperative Telephone Co	Perley	11,833	1,377	13,210	3,845		5,588
M	2233	Littlefork Telephone Exchange	Little Fork	3,638	2,242	5,880	5,273		607
M	1919	Mabel Telephone Exchange Co	Mabel	3,736	4,513	8,249	3,285		1,615
M	300	Manchester Farmers Telephone Co	Manchester	11,243	957	12,200	4,731		5,151
S	2152	McGregor Telephone Co	McGregor	10,412	653	11,065	6,000		1,750
S	363	Menahga Telephone Co	Menahga	5,162	268	5,430	2,565		1,276
I	959	Middle River Telephone Co	Middle River	5,114	951	6,065	2,415		3,578
I	68	Minnesota Lake Telephone Co	Minnesota Lake	11,630	306	11,936	7,086		15
C-P	618	Nevis Telephone Co	Nevis	3,762	69	3,831	3,287		381
C-P	392	New London Telephone Co	New London	6,420	4,829	11,249	7,249		4,000
S	1774	Northwestern Minnesota Telephone Co	Strandquist	10,599	2,688	13,287	3,840		7,729
C-P	553	Oakland Telephone Co	Oakland	2,851	888	3,739	3,376		348
I	1172	Oronoco Telephone Co	Oronoco	7,275	424	7,699	3,682		2,117

C-O	1761	Peoples Cooperative Telephone Co	Williams	15,018	6,568	21,586	7,818	990	6,407
S	1908	Peoples Telephone Co	Big Fork	5,501	847	6,348	790		1,321
S	345	Pine River Rural Telephone Co	Pine River	21,317	126	21,443	4,725	20,534	11,902
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	9,864	284	10,148	7,275		1,724
I	2112	Racine Telephone Co	Racine	9,245	1,318	10,563	7,173		2,265
S	1177	Remer Rural Telephone Co	Remer	13,316	203	13,519	14,610	2,374	1,857
S	219	Richmond Telephone Co	Richmond	21,108	1,444	22,552	12,500		16,789
S	39	Rollag Telephone Co	Hawley	8,475	5,021	13,496	10,485		2,943
S	250	Rothsay Telephone Co	Rothsay	12,307	1,516	13,823	5,450		4,860
I	2062	Russell Telephone Co	Russell	7,734	150	7,884	862		7,022
I	548	Ruthton Telephone Co	Ruthton	8,265	1,557	9,822	9,517		305
S	458	St. Clair Telephone Co	St. Clair	4,249	123	4,372	1,051		3,121
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove	7,367	3,970	11,337	4,537		5,587
S	1333	Spring Hill Rural Telephone Co	Spring Hill	10,080	1,457	11,537	10,080		834
M	421	Stacy Telephone Co	Stacy	6,073	2,257	8,330	3,660		3,431
M	1089	Stokes-Nereson & Barnett Telephone Co	Badger	6,816	4,270	11,086	4,410		1,695
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	22,620	560	23,180	7,975		14,235
I	390	Vergas Telephone Co	Vergas	6,531	32	6,563	4,385		1,256
I	235	Verndale Telephone Co	Verndale	12,587	1,063	13,650	7,272		5,224
C-O	2171	Village Cooperative Telephone Co	Spring Grove	6,115	2,807	8,922	5,650		3,784
C-P	353	Villard Telephone Co	Villard	5,110	267	5,377	908		3,269
M	1748	Warba Telephone Co	Warba	10,010	949	10,959	2,513	4,848	289
I	1023	Wendell Telephone Co	Wendell	3,148	730	3,878	512		2,066
C-O	2101	Wolverton Telephone Co	Wolverton	7,748	1,997	9,745	2,800		2,270
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff	3,275	1,082	4,357	2,624		700
S	153	Zumbro Valley Telephone Co	Byron	20,692	1,084	21,776	5,000		8,592
		Total (96) class E companies		991,305	164,617	1,155,922	507,068	42,818	453,889

Footnotes at end of tables.

Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

GENERAL BALANCE SHEET—Continued

No.[1]		Name of company	General office	Liabilities			Income account			
							Total operating revenues	Income deductions: Operating expenses		
				Other liabilities	Corporate surplus	Total liabilities		Maintenance	Depreciation	Traffic
I	271	Akeley Telephone Co	Akeley	$4,413		$14,206	$2,802	$512	$462	$1,325
M	1786	Alvarado Telephone Co	Alvarado		$3,653	7,371	2,200	74	100	1,603
C-P	386	Arco Electric Co	Arco	128		5,625	2,405	747	145	917
S	290	Arvig Telephone Co	Pequot	36,229	[4] 26,892	22,010	3,958	1,414	878	1,203
S	956	Ashby Telephone Co	Ashby	112	3,079	6,038	2,480	163		1,330
S	2168	Akov Telephone Co	Askov	7,057	1,043	19,807	3,674	951	454	882
S	8	Audubon Telephone Co	Audubon	166	238	17,706	3,976	1,147	246	1,019
S	1471	Barrett Telephone Co	Barrett	7,686	[4] 1,616	12,658	1,868	286	407	129
I	14	Blackduck Telephone Co	Blackduck	3,500		14,633	4,725	131	564	999
S	103	Boyd Telephone Co	Boyd	260	[4] 2,599	11,907	3,499	1,332	600	1,235
I	2440	Brookston Telephone Co	Brookston			5,664	1,049	410	202	35
S	350	Brooten Telephone Co	Brooten		716	10,698	3,944	1,307	500	1,326
I	652	Chokio Telephone Co	Chokio	1,775		18,472	3,402	558	400	1,029
S	276	Citizens Telephone Co	Maynard		1,104	7,469	3,818		300	1,817
I	297	Watkins Telephone Co	Watkins			24,469	4,924	970	875	1,055
I	257	Clear Valley Telephone Co	Clearwater	2,332		15,694	2,120	479		859
I	207	Commercial Telephone Co	Belgrade	3,304		18,934	3,965	890	510	1,382
I	371	Community Rural Telephone Co	Hugo	[2]	[2]	[2]	[2]	[2]	[2]	[2]
T	2292	Cotton Township Telephone System	Cotton			14,726	1,790	905		585
S	417	Danube Telephone Co	Danube		2,332	18,983	4,904	642	636	1,428
S	282	Deer Creek Telephone Co	Deer Creek	6,457	[4] 9,318	24,879	3,874	600	532	47
C-O	420	Dent-Star Lake Telephone Co	Dent	222	3,431	7,429	2,887	777	267	1,431
S	459	Dunnell Farmers Telephone Co	Dunnell	836	2,686	11,977	3,769	1,331	441	1,486
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend			18,879	4,082	736	358	1,400
C-O	902	Eagle Telephone Co	Holmes City	285	2,105	4,583	920	121	125	526
S	823	Eagle Valley Telephone Co	Clarissa		327	15,976	5,020	824	580	2,837
S	505	Easton Telephone Co	Easton	2,617	[4] 1,445	3,707	3,007	1,333	137	976
I	124	Eden Valley Telephone Exchange Co	Eden Valley			21,739	5,120	663	926	1,064
M	935	Elmdale Telephone Co	Upsala	576	1,844	14,892	6,319	2,343	420	1,125
C-P	306	Erhard Rural Telephone Central	Erhard			447	563	41	6	399
I	155	Eyota Telephone Co	Eyota	1,835		19,076	4,151	1,084	654	1,375
M	104	Farmers (The) Mutual Telephone Co	Dawson		[4] 2,772	23,011	3,034	1,342	689	906
S	369	Felton Rural Telephone Co	Felton		2,191	6,741	1,847	642	146	652

S	301	Finlayson Cooperative Telephone Association	Finlayson		1,749	14,957	3,563	626	840	952
S	1051	Foreston Rural Telephone Co	Foreston	144	[4] 2,636	11,272	2,188	102	302	1,191
S	356	Franklin Local & Rural Telephone Co	Franklin	280	[4] 4,279	25,345	3,807	882	955	1,207
S	441	Freeborn Telephone Exchange Co	Freeborn	568	[4] 1,330	14,277	2,290	354	467	988
S	208	Freeport Telephone Co	Freeport	7,307		16,445	3,420	1,167	526	900
M-C	1939	Frost Telephone Exchange	Frost	126	2,064	8,999	2,754	141	277	1,210
S	113	Garvin Telephone Co	Garvin	647	1,889	7,657	1,267	303	150	677
I	539	Gary Telephone Co	Gary	[2]	[2]	[2]	[2]	[2]	[2]	[2]
C-P	1860	Ghent Cooperative Telephone Co	Ghent		5,353	15,830	2,562	226	560	840
I	2263	Gilman Telephone Co	Gilman	10,766		18,806	3,667	968	400	1,535
I	378	Glyndon Telephone Exchange	Glyndon			3,248	1,171	411	103	417
S	382	Granada Telephone Co	Granada		1,131	7,596	2,440	446	229	1,321
I	2179	Greenbush Telephone Co	Greenbush	458		4,818	2,703	230	105	1,800
I	2111	Green Lake Telephone Exchange	Spicer	1,606		7,129	3,543	209	300	617
S	879	Grey Eagle Rural Telephone Co	Grey Eagle		2,321	8,069	2,966	734	250	1,137
S	347	Hanley Falls Telephone Co	Hanley Falls			21,819	3,008	513	203	405
I	636	Hazel Run Telephone Co	Hazel Run	544		8,189	2,075	427	416	905
S	152	Hendrum Exchange Co	Hendrum	8,209	171	18,410	3,919	456	629	1,205
I	659	Hills Telephone Exchange	Hills			8,418	1,652		1,187	200
S	2297	Hollandale Telephone Co	Hollandale	3,385	3,455	32,062	3,869	44	825	592
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	148	[4] 452	6,911	1,575	182	189	980
C-P	99	Kennedy Telephone Co	Kennedy	1,584		13,042	4,288	753	150	1,336
I	1599	Kelliher Telephone Co	Kelliher	3,699		8,022	3,406	247	200	1,198
S	370	Kensington Telephone Co	Kensington	88	999	14,102	3,445	856	550	1,170
C-O	294	Lee Cooperative Telephone Co	Perley		3,777	13,210	2,782	1,000	200	1,000
M	2233	Littlefork Telephone Exchange	Little Fork			5,880	2,538	77	100	1,287
M	1919	Mabel Telephone Exchange Co	Mabel	18	3,331	8,249	3,442	49	80	2,568
M	300	Manchester Farmers Telephone Co	Manchester	350	1,968	12,200	3,812	1,208	579	995
S	2152	McGregor Telephone Co	McGregor	4,079	[4] 764	11,065	2,017	265	350	
S	363	Menahga Telephone Co	Menahga	1,225	364	5,430	3,727	850	202	1,388
I	959	Middle River Telephone Co	Middle River	72		6,065	1,800	114	124	960
I	68	Minnesota Lake Telephone Co	Minnesota Lake	4,835		11,936	4,189	888	215	952
C-P	618	Nevis Telephone Co	Nevis	163		3,831	1,437	47	125	742
C-P	392	New London Telephone Co	New London			11,249	4,307	143	734	1,548
S	1774	Northwestern Minnesota Telephone Co	Strandquist	315	1,403	13,287	3,353	997	204	1,771
C-P	553	Oakland Telephone Co	Oakland	15		3,739	2,458	704	114	970
I	1172	Oronoco Telephone Co	Oronoco	1,900		7,699	1,893	443	115	855
C-O	1761	Peoples Cooperative Telephone Co	Williams	3,393	2,978	21,586	2,471	350	295	764
S	1908	Peoples Telephone Co	Big Fork		4,237	6,348	2,720	440	100	990
S	345	Pine River Rural Telephone Co	Pine River	12,887	[4] 28,605	21,443	4,132	1,568	832	1,150
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg		1,149	10,148	3,476	808	400	1,429
I	2112	Racine Telephone Co	Racine	1,125		10,563	2,727	418	450	3
S	1177	Remer Rural Telephone Co	Remer		[4] 5,322	13,519	3,271	175	666	1,620
S	219	Richmond Telephone Co	Richmond	7,787	[4] 14,524	22,552	3,752	1,174	450	1,623
S	39	Rollag Telephone Co	Hawley	1,680	[4] 1,612	13,496	2,221	441	200	1,099
S	250	Rothsay Telephone Co	Rothsay	1,255	2,258	13,823	3,282	71	400	1,650
I	2062	Russell Telephone Co	Russell			7,884	2,573	578	387	1,040
I	548	Ruthton Telephone Co	Ruthton			9,822	3,509	1,625	320	392
S	458	St. Clair Telephone Co	St. Clair	200		4,372	2,113	254	209	900
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove		1,213	11,337	3,948	150	184	1,659

Footnotes at end of tables.

Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

GENERAL BALANCE SHEET

No.[1]	Name of company	General office	Liabilities			Income account			
						Operating income	Income deductions: Operating expenses		
			Other liabilities	Corporate surplus	Total liabilities	Total operating revenues	Maintenance	Depreciation	Traffic
S 1333	Spring Hill Rural Telephone Co	Spring Hill	$1,300	‹ $677	$11,537	$3,088	$632	$150	$1,280
M 421	Stacy Telephone Co	Stacy	298	941	8,330	1,675	178	238	720
M 1089	Stokes-Nereson & Barnett Telephone Co	Badger	153	4,828	11,086	2,706	252	169	1,200
C-O 951	Tri-County Cooperative Telephone Co	Hamburg	1,290	‹ 320	23,180	3,018	913	657	854
I 390	Vergas Telephone Co	Vergas	922		6,563	2,518	695	200	1,030
I 235	Verndale Telephone Co	Verndale	1,154		13,650	3,437	806	499	921
C-O 2171	Village Cooperative Telephone Co	Spring Grove		‹ 512	8,922	2,144	381	244	896
C-P 353	Villard Telephone Co	Villard	1,200		5,377	2,527	443	205	1,041
M 1748	Warba Telephone Co	Warba	201	3,108	10,959	2,364	713	314	599
I 1023	Wendell Telephone Co	Wendell	1,300		3,878	1,774	384	84	
C-O 2101	Wolverton Telephone Co	Wolverton	10	4,665	9,745	2,886	592	200	1,149
C-O 452	Wykoff Cooperative Rural Telephone Co	Wykoff		1,033	4,357	2,622	410	100	1,363
S 153	Zumbro Valley Telephone Co	Byron	4,835	3,349	21,776	4,005	696	809	1,525
	Total (96) class E companies		173,371	‹ 21,192	1,155,922	284,388	56,964	34,277	99,098

INCOME ACCOUNT

No.[1]	Name of company	General office	Income deductions					Net income for return	
			Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
				State	Federal				
I 271	Akeley Telephone Co	Akeley	$852	$83	$8		$3,242	‹ $440	‹ 3.17
M 1786	Alvarado Telephone Co	Alvarado	257	85	31		2,150	50	.93
C-P 386	Arco Electric Co	Arco	72	101	7	$16	2,005	400	8.75
S 290	Arvig Telephone Co	Pequot	954	129	18		4,596	‹ 638	‹ 2.91
S 956	Ashby Telephone Co	Ashby	447	82	68	8	2,098	382	10.69
S 2168	Askov Telephone Co	Askov	651	147	41	244	3,370	304	1.67
S 8	Audubon Telephone Co	Audubon	1,270	139	99	39	3,959	17	.13
S 1471	Barrett Telephone Co	Barrett	396	83	57		1,358	510	4.19
I 14	Blackduck Telephone Co	Blackduck	2,366	170	10		4,240	485	3.45
S 103	Boyd Telephone Co	Boyd	709	119	28		4,023	‹ 524	‹ 4.88
I 2440	Brookston Telephone Co	Brookston	343	42			1,032	17	.35
S 350	Brooten Telephone Co	Brooten	620	157	77		3,987	‹ 43	‹ .46
I 652	Chokio Telephone Co	Chokio	908	311	7		3,213	189	1.47
S 276	Citizens Telephone Co	Maynard	370	136	36		2,659	1,159	20.95
I 297	Watkins Telephone Co	Watkins	1,926	194	34		5,054	‹ 130	‹ .72
I 257	Clear Valley Telephone Co	Clearwater	693	71	5		2,107	13	.09
I 207	Commercial Telephone Co	Belgrade	739	159			3,680	285	1.60
I 371	Community Rural Telephone Co	Hugo	(2)	(2)	(2)	(2)	(2)	(2)	(2)
T 22 2	Cotton Township Telephone System	Cotton	200				1,690	100	.69
S 417	Danube Telephone Co	Danube	573	179	674		4,132	772	4.87
S 282	Deer Creek Telephone Co	Deer Creek	1,816	129	67	70	3,261	613	2.65
C-O 420	Dent-Star Lake Telephone Co	Dent	218	77	148		2,918	‹ 31	‹ .47
S 459	Dunnell Farmers Telephone Co	Dunnell	470	151	30		3,909	‹ 140	‹ 1.28
I 1915	Eagle Bend Telephone Exchange Co	Eagle Bend	916	143	23		3,576	506	2.82
C-O 902	Eagle Telephone Co	Holmes City	149	27	80		1,028	‹ 108	‹ 2.53
S 823	Eagle Valley Telephone Co	Clarissa	450	157	21		4,869	151	1.04
S 505	Easton Telephone Co	Easton	476	108	41		3,071	‹ 64	‹ 1.87
I 124	Eden Valley Telephone Exchange Co	Eden Valley	1,991	316	34		4,994	126	.66
M 935	Elmdale Telephone Co	Upsala	385	172	23		4,468	1,851	13.23
C-P 306	Erhard Rural Telephone Central	Erhard	55	32	61		594	‹ 31	‹ 20.67
I 155	Eyota Telephone Co	Eyota	845	143	10		4,111	40	.21
M 104	Farmers (The) Mutual Telephone Co	Dawson	434	104	26	153	3,654	‹ 620	‹ 3.23
S 369	Felton Rural Telephone Co	Felton	303	58	19	31	1,851	‹ 4	‹ .08
S 301	Finlayson Cooperative Telephone Association	Finlayson	578	118	31		3,145	418	3.08
S 1051	Foreston Rural Telephone Co	Foreston	223	121	80		2,019	169	1.65
S 356	Franklin Local & Rural Telephone Co	Franklin	626	138	18	95	3,921	‹ 114	‹ 48
S 441	Freeborn Telephone Exchange Co	Freeborn	376	81	6	22	2,294	‹ 4	‹ .03

Footnotes at end of table.

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Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

INCOME ACCOUNT—Continued

No.[1]		Name of company	General office	Income deductions					Net income for return	
				Operating expenses, general	Taxes		Uncollectibles	Total deductions	Amount	Percent
					State	Federal				
S	208	Freeport Telephone Co	Freeport	$736	$137	$8		$3,474	‹ $54	‹ 4.34
M-C	1939	Frost Telephone Exchange	Frost	323	316			2,267	487	8.80
S	113	Garvin Telephone Co	Garvin	254	43	11		1,438	‹ 171	‹ 2.36
I	539	Gary Telephone Co	Gary	(2)	(2)	(2)	(2)	(2)	(2)	(2)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	322	93	22		2,063	499	3.39
I	2263	Gilman Telephone Co	Gilman	1,053	141	22		4,119	‹ 452	‹ 2.44
I	378	Glyndon Telephone Exchange	Glyndon	180	47			1,158	13	.41
S	382	Granada Telephone Co	Granada	472	113	41	$34	2,656	‹ 216	‹ 3.27
I	2179	Greenbush Telephone Co	Greenbush	230	96	9		2,470	233	5.31
I	2111	Green Lake Telephone Exchange	Spicer	1,611	120	12		2,869	674	9.78
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	498	108	20	29	2,776	190	2.92
S	347	Hanley Falls Telephone Co	Hanley Falls	923	123		6	2,173	835	12.34
I	636	Hazel Run Telephone Co	Hazel Run	569	137	22	23	2,499	‹ 424	‹ 5.18
S	152	Hendrum Exchange Co	Hendrum	1,210	137	22	‹ 87	3,572	347	2.14
I	659	Hills Telephone Exchange	Hills	237	67	6		1,697	‹ 45	‹ 4.70
S	2297	Hollandale Telephone Co	Hollandale	690	171	443	895	3,660	209	1.01
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	94	63	10		1,518	57	1.21
C-P	99	Kennedy Telephone Co	Kennedy	722	157	12	140	3,270	1,018	8.99
I	1599	Kelliher Telephone Co	Kelliher	177	132			1,954	1,452	18.10
S	370	Kensington Telephone Co	Kensington	714	127	24		3,441	4	.03
C-O	294	Lee Cooperative Telephone Co	Perley	297	104	16		2,617	165	1.39
M	2233	Littlefork Telephone Exchange	Little Fork	607	98	19		2,188	350	9.62
M	1919	Mabel Telephone Exchange Co	Mabel	327	109	24		3,157	285	7.63
M	300	Manchester Farmers Telephone Co	Manchester	523	150	22	2	3,479	333	2.96
S	2152	McGregor Telephone Co	McGregor	1,304	96	16		2,031	‹ 14	‹ .13
S	363	Menahga Telephone Co	Menahga	949	149	33	6	3,577	150	2.91
I	959	Middle River Telephone Co	Middle River	361	72			1,631	169	3.30
I	68	Minnesota Lake Telephone Co	Minnesota Lake	1,664	167	14	18	3,918	271	2.33
C-P	618	Nevis Telephone Co	Nevis	404	57			1,375	62	1.65
C-P	392	New London Telephone Co	New London	745	291	15		3,476	831	12.94
S	1774	Northwestern Minnesota Telephone Co	Strandquist	416	125	35		3,548	‹ 195	‹ 1.84
C-P	553	Oakland Telephone Co	Oakland	399	88	23		2,298	160	5.61
I	1172	Oronoco Telephone Co	Oronoco	397	67		2	1,879	14	.19
C-O	1761	Peoples Cooperative Telephone Co	Williams	582	103	15	58	2,167	304	2.02
S	1908	Peoples Telephone Co	Big Fork	288	109			1,927	793	14.42

S	345	Pine River Rural Telephone Co	Pine River	691	154	37	55	4,487	‹ 355	‹ 1.67
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	434	113	15	72	3,271	205	2.08
I	2112	Racine Telephone Co	Racine	1,036	72	71		2,050	677	7.32
S	1177	Remer Rural Telephone Co	Remer	1,334	131	28		3,954	‹ 683	‹ 5.13
S	219	Richmond Telephone Co	Richmond	326	116	45		3,734	18	.09
S	39	Rollag Telephone Co	Hawley	241	63	77	107	2,228	‹ 7	‹ .06
S	250	Rothsay Telephone Co	Rothsay	508	118	19	182	2,948	334	2.71
I	2062	Russell Telephone Co	Russell	203	103	10		2,321	252	3.26
I	548	Ruthton Telephone Co	Ruthton	359	122	43		2,861	648	7.84
S	458	St. Clair Telephone Co	St. Clair	866	84	16		2,329	‹ 216	‹ 5.08
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove	650	145	41		2,829	1,119	15.19
S	1333	Spring Hill Rural Telephone Co	Spring Hill	735	113	329		3,239	‹ 151	‹ 1.50
M	421	Stacy Telephone Co	Stacy	299	67	15		1,517	158	2.60
M	1089	Stokes-Nereson & Barnett Telephone Co	Badger	329	106	17		2,073	633	9.29
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	404	155	37		3,020	‹ 2	‹ .009
I	390	Vergas Telephone Co	Vergas	411	101		20	2,457	61	.93
I	235	Verndale Telephone Co	Verndale	913	165	5	1	3,310	127	1.01
C-O	2171	Village Cooperative Telephone Co	Spring Grove	142	44		35	1,742	402	6.57
C-P	353	Villard Telephone Co	Villard	394	93	5	4	2,185	342	6.69
M	1748	Warba Telephone Co	Warba	314	94	19	35	2,088	276	2.76
I	1023	Wendell Telephone Co	Wendell	1,048	71			1,587	187	5.94
C-O	2101	Wolverton Telephone Co	Wolverton	367	377	21		2,706	180	2.32
C-O	452	Wykoff Cooperative Rural Telephone Co	Wykoff	506	83	15		2,477	145	4.45
S	153	Zumbro Valley Telephone Co	Byron	541	151	24	38	3,784	221	1.07
		Total (96) class E companies		57,986	11,416	3,723	2,353	265,817	18,571	1.87

Footnotei end of table.

Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

STATION AND CENTRAL OFFICE DATA

No.[1]		Name of company	General office	Subscribers stations			Service stations	Number central offices		
				Local	Rural	Total		Common battery	Magneto	Automatic
I	271	Akeley Telephone Co	Akeley	70	23	93	76		1	
M	1786	Alvarado Telephone Co	Alvarado	58	59	117	23		1	
C-P	386	Arco Electric Co	Arco	39	90	129			1	
S	290	Arvig Telephone Co	Pequot	44	43	87	14		1	
S	956	Ashby Telephone Co	Ashby	72		72	176		1	
S	2168	Askov Telephone Co	Askov	73	110	183			1	
S	8	Audubon Telephone Co	Audubon	50	218	268			1	
S	1471	Barrett Telephone Co	Barrett	63		63	76			1
I	14	Blackduck Telephone Co	Blackduck	100		100	249	1		
S	103	Boyd Telephone Co	Boyd	72	102	174			1	
I	2440	Brookston Telephone Co	Brookston	14	27	41			1	
S	350	Brooten Telephone Co	Brooten	111	62	173	140		1	
I	652	Chokio Telephone Co	Chokio	79		79	143		1	
S	276	Citizens Telephone Co	Maynard	92		92	215		1	
I	297	Watkins Telephone Co	Watkins	95	67	162			1	
I	257	Clear Valley Telephone Co	Clearwater	40	22	62			1	
I	207	Commercial Telephone Co	Belgrade	111	21	132	100		1	1
I	371	Community Rural Telephone Co	Hugo	(2)	(2)	(2)	(2)	(2)	(2)	(2)
T	2292	Cotton Township Telephone System	Cotton	4	83	87			1	
S	417	Danube Telephone Co	Danube	75	132	207	32		1	
S	282	Deer Creek Telephone Co	Deer Creek	47	98	145				1
C-O	420	Dent-Star Lake Telephone Co	Dent	12	170	182			1	
S	459	Dunnell Farmers Telephone Co	Dunnell	72	155	227			1	
I	1915	Eagle Bend Telephone Exchange Co	Eagle Bend	91		91	209		1	
C-O	902	Eagle Telephone Co	Holmes City	11	45	56			1	
S	823	Eagle Valley Telephone Co	Clarissa	85	209	294			1	
S	505	Easton Telephone Co	Easton	63	13	76	83		1	
I	124	Eden Valley Telephone Exchange Co	Eden Valley	101	66	167			1	
M	935	Elmdale Telephone Co	Upsala	69	310	379			1	
C-P	306	Erhard Rural Telephone Central	Erhard				63		1	
I	155	Eyota Telephone Co	Eyota	70	76	146	20		1	
M	104	Farmers (The) Mutual Telephone Co	Dawson		216	216			1	
S	369	Felton Rural Telephone Co	Felton	13	72	85			1	
S	301	Finlayson Cooperative Telephone Association	Finlayson	53	90	143	49		1	
S	1051	Foreston Rural Telephone Co	Foreston	20	135	155			1	
S	356	Franklin Local & Rural Telephone Co	Franklin	87	65	152		1		
S	441	Freeborn Telephone Exchange Co	Freeborn	44	63	107	8		1	
S	208	Freeport Telephone Co	Freeport	67	148	215			1	

M-C	1939	Frost Telephone Exchange	Frost	55		55	127		1	
S	113	Garvin Telephone Co	Garvin	34	38	72	75			
I	539	Gary Telephone Co	Gary	(2)	(2)	(2)	(2)	(2)	(2)	(2)
C-P	1860	Ghent Cooperative Telephone Co	Ghent	53	92	145			1	
I	2263	Gilman Telephone Co	Gilman	74	61	135	115		1	
I	378	Glyndon Telephone Exchange	Glyndon	43	29	72			1	
S	382	Granada Telephone Co	Granada	69		69	99		1	
I	2179	Greenbush Telephone Co	Greenbush	65		65	161		1	
I	2111	Green Lake Telephone Exchange	Spicer	131		131	81		1	
S	879	Grey Eagle Rural Telephone Co	Grey Eagle	56	155	211			1	
S	347	Hanley Falls Telephone Co	Hanley Falls	74	76	150			1	
I	636	Hazel Run Telephone Co	Hazel Run	31	82	13			1	
S	152	Hendrum Exchange Co	Hendrum	52	129	181			1	
I	659	Hills Telephone Exchange	Hills	77		77	53			1
S	2297	Hollandale Telephone Co	Hollandale	65	51	116			1	
C-O	1108	Kalavalla Cooperative Telephone Association	Kettle River	9	100	109			1	
C-P	99	Kennedy Telephone Co	Kennedy	79	128	207			1	
I	1599	Kelliher Telephone Co	Kelliher	60	48	108	192		1	
S	370	Kensington Telephone Co	Kensington	53	134	187			1	
C-O	294	Lee Cooperative Telephone Co	Perley	26	142	168				
M	2233	Littlefork Telephone Exchange	Little Fork	80		80	81	1		
M	1919	Mabel Telephone Exchange Co	Mabel				584		1	
M	300	Manchester Farmers Telephone Co	Manchester	56	234	290	35		2	
S	2152	McGregor Telephone Co	McGregor	33	57	90				1
S	363	Menahga Telephone Co	Menahga	81	4	85	176		1	
I	959	Middle River Telephone Co	Middle River	30		30	59		1	
I	68	Minnesota Lake Telephone Co	Minnesota Lake	107	79	186	15		1	
C-P	618	Nevis Telephone Co	Nevis	45	3	48	58		1	
C-P	392	New London Telephone Co	New London	111		111	175		1	
S	1774	Northwestern Minnesota Telephone Co	Strandquist	19	162	181	45		2	
C-P	553	Oakland Telephone Co	Oakland		117	117			1	
I	1172	Oronoco Telephone Co	Oronoco	37	70	107			1	
C-O	1761	Peoples Cooperative Telephone Co	Williams	62	71	133			1	
S	1908	Peoples Telephone Co	Big Fork	92	4	96	99		1	
S	345	Pine River Rural Telephone Co	Pine River	71	26	97	40		1	
M	396	Prinsburg Farmers Mutual Telephone Co	Prinsburg	5	187	192				1
I	2112	Racine Telephone Co	Racine	44	52	96	14			
S	1177	Remer Rural Telephone Co	Remer	84	46	130	132	1		
S	219	Richmond Telephone Co	Richmond	48	125	173			2	
S	39	Rollag Telephone Co	Hawley		190	190			2	
S	250	Rothsay Telephone Co	Rothsay	51	101	152	85			1
I	2062	Russell Telephone Co	Russell	75		75	102		1	
I	548	Ruthton Telephone Co	Ruthton	88	91	179	15		2	
S	458	St. Clair Telephone Co	St. Clair	58	7	65	79		1	
C-O	918	Spring Grove Cooperative Telephone Exchange	Spring Grove				338		1	
S	1333	Spring Hill Rural Telephone Co	Spring Hill	30	139	169	16		1	
M	421	Stacy Telephone Co	Stacy	117		117			1	
M	1089	Stokes-Nereson & Barnett Telephone Co	Badger	54	114	168	48		1	
C-O	951	Tri-County Cooperative Telephone Co	Hamburg	41	117	158			1	
I	390	Vergas Telephone Co	Vergas	37	86	123	33		1	

Summary of class E telephone companies for the year ended Dec. 31, 1943—Continued

STATION AND CENTRAL OFFICE DATA—Continued

No.[1]		Name of company	General office	Subscribers stations			Service stations	Number central offices		
				Local	Rural	Total		Common Battery	Magneto	Automatic
I	235	Verndale Telephone Co.	Verndale	69	20	89	103		1	
C-O	2171	Village Cooperative Telephone Co.	Spring Grove	209		209				
C-P	353	Villard Telephone Co.	Villard	46	45	91	55		1	
M	1748	Warba Telephone Co.	Warba	11	83	94	2		1	
I	1023	Wendell Telephone Co.	Wendell	63		63	101		1	
C-O	2101	Wolverton Telephone Co.	Wolverton	36	62	98			1	
C-O	432	Wykoff Cooperative Rural Telephone Co.	Wykoff				285		1	
S	153	Zumbro Valley Telephone Co.	Byron	63	109	172			1	
		Total (96) class E companies		5,326	6,656	11,982	5,322	4	88	8

[1] S=Indicates stock company. M=Indicates mutual company. C-O=Indicates cooperative company. C-P=Indicates copartnership. I=Indicates company owned by an individual. M-C=Indicates municipal corporation. T=Indicates township corporation.
[2] Report incomplete.
[3] Failed to report.
[4] Indicates reverse entry.
[5] Failed to report.

SUMMARY OF CLASS E COMPANIES

	Number reporting—96			
	1942		1943	
	Amount	Average per station	Amount	Average per station
Fixed capital	$980,719	$84.30	$991,305	$82.73
Depreciation reserve	431,191	37.07	453,889[4]	37.88
Operating income	257,273	22.12	284,388	23.73
Operating expenses:				
Maintenance	57,575	4.95	56,964	4.75
Depreciation	32,243	2.77	34,277	2.86
Traffic	94,601	8.13	99,098	8.27
General	54,467	4.68	57,986	4.84
Total operating expenses	238,886	20.53	248,325	20.72
State taxes	10,763	.93	11,416	.95
Federal taxes	2,866	.24	3,723	.31
Uncollectibles and other deductions	2,973	.26	2,353	.20
Total deductions	255,488	21.96	265,817	22.18
Net income	1,785	.15	18,571	1.55
Ratio net income to fixed capital	0.18 percent		1.87 percent	
Subscribers' stations:				
Local	5,128		5,326	
Rural	6,505		6,656	
Total company-owned	11,633		11,982	
Service stations	5,142		5,322	
Number of central offices:				
Common battery	4		4	
Magneto	90		88	
Automatic	7		8	

EXHIBIT 73

DATA PREPARED BY FEDERAL COMMUNICATIONS COMMISSION

EXPLANATORY STATEMENT

The data contained in the attached tables were taken from the annual reports filed by the telephone carriers with the FCC for the year ended December 31, 1944, which annual reports are public documents and are open to inspection.

The telephone carriers covered are those outside the Bell System proper, classified as A and B filing the Form M annual report and having average annual gross operating revenues exceeding $50,000.

The carriers do not report the number of telephones to each exchange, but merely the number of exchanges and the number of telephones, and while the average number of telephones per exchange may be less than 500 in a few instances, it is assumed that the carrier may have at least one exchange with 500 or more telephones. In the computations, the midpoint of the hourly rate intervals was used and time worked was considered on the basis of 40 hours a week, 52 weeks a year.

There are 48 carriers included in the tables, divided into two main groups: (1) Those having no affiliation with the Bell System, and (2) those having minor affiliation with the Bell System. The first group is further subdivided to show (*a*) the carriers other than the general telephone corporation group and (*b*) the carriers of the general telephone corporation group.

Analysis of the proposition of raising all employees below 65 cents an hour to 65 cents and all below 75 to 75 cents, of 48 independent telephone carriers having 500 or more telephones per exchange

[Prepared by Federal Communications Commission—Dec. 1, 1945]

SUMMARY

Item	Independents not affiliated with Bell		Independents with minor Bell affiliation		Total independents	
Number of exchanges	718		485		1,203	
Number of telephones	530,388		254,245		784,633	
Operating expenses, including other than Federal income and excess-profits taxes	$17,481,672		$8,025,414		$25,507,086	
Net operating income before Federal income and excess-profits taxes	$8,463,001		$3,727,444		$12,190,445	
	65 cents	75 cents	65 cents	75 cents	65 cents	75 cents
Number of employees below	3,641	3,991	3,020	3,215	6,661	7,206
Amount of increase if raised to	$1,365,790	$2,165,514	$1,193,232	$1,846,378	$2,559,022	$4,011,892
Percent of increase	38.40	53.33	41.29	58.26	39.70	55.49
Net increase (less construction cost)	$1,173,487	$1,857,292	$1,064,314	$1,647,675	$2,237,801	$3,504,967
Percent net increase to operating expenses including other than Federal income and excess-profits taxes	6.71	10.62	13.26	20.53	8.77	13.74
Percent net increase to net operating income before Federal income and excess-profits taxes	13.87	21.95	28.55	44.20	18.36	28.75

EXPLANATION

Analysis of the proposition of raising all employees below 65 cents an hour to 65 cents and all below 75 to 75 cents of 28 independent telephone carriers not affiliated with the Bell System having 500 or more telephones per exchange.

Showing for 1946 the estimated effect on reduction in Federal taxes on income and wage increases on net operating income and the ratio of net operating income to net telephone plant in service, assuming 1944 data as base.

(Prepared by Federal Communications Commission December 1, 1945.)

Summary

Particulars	Independents with minor Bell affiliation			Total independents not affiliated with Bell system			Total independents		
	Per books, 1944	With minimum 65-cent wage adjustment, 1946	With minimum 75-cent wage adjustment, 1946	Per books, 1944	With minimum 65-cent wage adjustment, 1946	With minimum 75-cent wage adjustment, 1946	Per books, 1944	With minimum 65-cent wage adjustment, 1946	With minimum 75-cent wage adjustment, 1946
Telephone plant in service	35,002,516			90,492,199			125,494,715		
Depreciation reserve	9,119,597			25,965,254			35,024,851		
Net telephone plant in service	25,882,919			64,586,945			90,469,864		
	11,752,858	11,752,858	11,752,858	25,944,673	25,944,673	25,944,673	37,697,531	37,697,531	37,697,531
Operating revenues	7,238,942			15,805,488			23,044,430		
Operating expenses	2,648,782			5,680,591			8,330,373		
Add operating taxes	9,887,724			21,492,079			31,379,803		
Total operating expenses and all taxes	1,857,310			4,010,407			5,867,717		
Less Federal taxes on income	8,025,414	8,025,414	8,025,414	17,481,672	17,481,672	17,481,672	25,507,086	25,507,086	25,507,086
Operating expenses including other than Federal taxes		1,064,314	1,647,675		1,173,487	1,857,292		2,237,801	3,504,967
Plus wage adjustment	8,025,414	9,089,728	9,673,089	17,481,672	18,655,159	19,338,964	25,507,086	27,744,887	29,012,053
Total adjusted operating expenses before taxes	3,727,444	2,663,130	2,079,769	8,463,001	7,289,514	6,605,709	12,190,445	9,952,644	8,685,478
Net operating income before Federal taxes	1,857,310	802,844	605,806	4,010,407	2,259,412	2,018,881	5,867,717	3,062,256	2,624,687
Less Federal taxes	1,870,134	1,860,286	1,473,963	4,452,594	5,030,102	4,568,828	6,322,728	6,890,388	6,000,791
	(8,175)	(8,175)	(8,175)	(96,572)	(96,572)	(96,572)	(104,747)	(104,747)	(104,747)
Net operating income after all taxes	1,861,959	1,852,111	1,465,788	4,356,022	4,933,530	4,490,256	6,217,981	6,785,641	5,956,044
Other income (net)	487,135	487,135	487,135	1,557,047	1,313,948	1,313,948	2,044,182	1,801,083	1,801,083
Income available for fixed charges	1,374,824	1,364,976	978,653	2,798,975	3,619,582	3,176,308	4,173,799	4,984,558	4,154,961
Fixed charges									
Net income available for dividends and other purposes									
Ratio of net operating income to net telephone plant in service:									
Before Federal taxes on income	*Percent* 14.40	*Percent* 10.29	*Percent* 8.04	*Percent* 13.10	*Percent* 11.29	*Percent* 10.23	*Percent* 13.47	*Percent* 11.00	*Percent* 9.60
After Federal taxes on income	7.23	7.19	5.69	6.89	7.79	7.10	6.99	7.62	6.70

NOTE.—Parentheses ( ) denote reverse items.
Source: Annual reports on file with the Commission.

Frequency distribution of employees, excluding officials and managerial assistants, by hourly wage intervals, of 48 independent telephone carriers having 500 or more telephones per exchange reporting to the Federal Communications Commission at end of October 1944

Hourly wage interval	28 independent carriers having no affiliation with Bell		20 independent carriers having minor affiliation with Bell		Total 48 independent carriers	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Less than $0.40	488	8.46	383	10.27	871	9.17
$0.40 to $0.44	1,234	21.40	1,336	35.83	2,570	27.06
$0.45 to $0.49	747	12.95	472	12.66	1,219	12.84
$0.50 to $0.54	511	8.86	380	10.19	891	9.38
$0.55 to $0.59	323	5.60	238	6.38	561	5.91
$0.60 to $0.64	338	5.86	211	5.66	549	5.78
$0.65 to $0.69	199	3.45	124	3.33	323	3.40
$0.70 to $0.74	151	2.62	71	1.90	222	2.34
$0.75 to $0.84	230	3.99	139	3.73	369	3.89
$0.85 to $0.94	251	4.35	111	2.98	362	3.81
$0.95 to $1.14	614	10.65	131	3.51	745	7.85
$1.15 to $1.34	426	7.39	90	2.41	516	5.43
$1.35 to $1.54	144	2.50	31	.83	175	1.84
$1.55 and over	111	1.92	12	.32	123	1.30
Total	5,767	100.00	3,729	100.00	9,496	100.00
Number below $0.65	3,641	63.13	3,020	80.99	6,661	70.14
Number below $0.75	3,991	69.20	3,215	86.22	7,206	75.88

EXHIBIT 74

STATEMENT OF SENATOR FRANCIS J. MYERS, DEMOCRAT OF PENNSYLVANIA, BEFORE THE SENATE EDUCATION AND LABOR COMMITTEE REGARDING S. 1349, THE MINIMUM WAGE BILL

Mr. Chairman and members of the committee, I should like to urge that the bill before this committee, S. 1349, be given favorable consideration and that it be reported out of committee in its present form as soon as possible. By increasing the present minimum wage rate to 65 cents and by extending coverage to maritime and agricultural processing workers who are not now effected by minimum wage legislation, this bill goes a long way toward the recognition of the doctrine set forth in 1906 by the recently deceased Msgr. John A. Ryan. In his book The Living Wage, Monsignor Ryan states: "The laborer's right to a living wage is as valid as his right to life; the difference is merely in degree of importance. The state is morally bound to compel employers to pay a living wage whenever and wherever it can, with a moderate degree of success, put into effect the appropriate legislation."

The enactment of S. 1349 is a step that is long overdue; furthermore failure to enact this bill will seriously effect the smooth operation of our economy.

Since 1938 when the Fair Labor Standards Act went into effect the cost of living increased approximately one-third, causing the present statutory rate of 40 cents per hour (which even in 1938, according to budget estimates, failed to provide adequate subsistence) to trail far behind the living wage rate and the wage rate now being paid the majority of the workers: In the words of President Truman, the Fair Labor Standard Act, in its present form, has become "obsolete." The proposed 65 cents minimum which would be put into effect under this legislation and the 75 cent rate which would become effective two years hence would yield, according to the Bureau of Labor Statistics an estimated $1,300 and $1,500 per year, respectively, provided continuous and regular employment were available to the workers. This is barely the minimum cost of an adequate family budget at the present time. Furthermore it is the rate that is now in effect among 80 percent of all factory workers.

In the State of Pennsylvania, where most of the major industries are already paying high wages, particularly the basic steel industry and nearly all branches of the metal-working industries, there are still a number of industries such as textile and apparel, tobacco, fertilizer, stone and clay products, and leather products where the workers receive less than 65 cents. The Food, Tobacco, Agricultural and Allied Workers Union of America has estimated that 11,250 cigar workers in Pennsylvania receive less than 65 cents per hour and a considerable number of

the 5,000 cannery workers in the State are paid under the 65-cent rate. While no exact figures are available on the rates paid textile and lumber workers, it has been generally revealed that large numbers of the approximately 180,000 Pennsylvania textile workers and a considerable number of workers in the manufacture of pulpwood products receive less than 65 cents. The United Electrical, Radio and Machine Workers of America estimate that of their 150,000 members about 10 percent are paid below the 65-cent minimum. Of those plants that are not unionized the percentage is as high as 30 percent. It should also be noted that women workers in this industry bear the brunt of the low wage rates.

I should like at this time to read you a portion of a letter from Mr. Batz, president of the American Federation of Hosiery Workers, Branch No. 10, who in his own words tells what this legislation will mean to the hosiery workers:

"DEAR SIR: On behalf of the thousands of hosiery workers who are members of Branch No. 10, American Federation of Hosiery Workers, Reading, Pa., I am calling your attention to the Pepper minimum-wage bill, H. R. 3914 and S. 1349, which will provide an immediate minimum wage of 65 cents per hour, and increase minimum wages to 70 cents per hour during the second year and 75 cents per hour following the second year.

"We hear much talk about full employment. However, full employment at substandard wages can only become a disguise for human exploitation. A nation whose workers are paid so little that they cannot purchase the goods and services they produce can never be a fully employed nation. Workers must be able to earn enough money to maintain their health and welfare in order to live a truly democratic life in this great democracy of ours.

"Let us hope that victory has not been in vain, by forgetting our own people who have done so much to preserve a real honest-to-goodness democratic nation. I trust you can realize how important this 65-cent minimum wage is to our people and what it means not only to them, but to the whole Nation.

"Sincerely yours,

"JAMES W. BATZ."

The benefits of a living wage are confined not merely to the substandard worker. Its advantages extend to every class of worker and every type of employer. Increased wages among the lowest paid workers means an immediate expenditure for goods and services and this will tend to support a high level of production and full employment. Furthermore low wage rates tend to depress high wage rates in the same area and in neighboring areas.

The protests from employers who claim they will have to go out of business should 65 cents become the minimum wage rate do not seem to have much justification. Most employees of major manufacturing industry groups already receive 65 cents per hour. Only 330,000 employees in manufacturing industries receive less than 50 cents. Even among those industries that pay a substantial proportion of their workers less than 65 cents an hour many of the workers received almost as much as 65 cents. Thus, the increase in pay rolls that would be required to raise all these workers to the 65-cent minimum would be relatively small. In only three industry groups would pay rolls be increased by more than 5 percent: Tobacco, 11 percent; basic lumber and timber products, 9 percent; and textiles, 6 percent. Wage payments in these three industries typically constitute only about one-quarter of the value of the product and considerably less than this—about 6 percent—in the tobacco industry.

When the 40-cent minimum was proposed, examples were cited of establishments that would have to go out of business resulting in serious unemployment. Actually there does not appear to have been any serious result of this kind.

There are inefficient producers in practically all industries, and firms are constantly failing with or without a minimum wage. It is not surprising that some of these firms blame their failure on the minimum wage, other "Government interference." But it will usually be found that competitors of these firms in the same communities continue to operate and make money apparently uneffected by the minimum wage. The truth of the matter is, that some producers are so inefficient that they cannot stay in business without being subsidized from the wages of their own workers. The minimum wage is particularly designed to put an end to such practices.

It will be found that most employers will pay the minimum wage because it protects them from unfair competititon. Mr. Baer, manufacturer of Silk and Rayon Throwsters, supports the 65-cent minimum for this reason. In a letter to me he writes:

"The Baer Co. has been in the business for 50 years and we consider that minimum wages are absolutely an essential thing if utter chaos is to be averted. We have seen the times when through competition we have been forced to bring wages to an absolutely ridiculous figure and we feel that if we, as well as our competitors, have an irreducible minimum it will endow to the advantage of not only our labor and ourselves but also to the industry as a whole. We likewise believe that the small added expense that would have to be made and the price of the finished product would be that small that it would not harm the sales of the products representing these minimum wage structures. We have seen a lot of economic experiments in America—some have been good and some have been bad. However, this is to be expected. We feel that adequate wages and just minimum hours are things that should remain and stay with the textile industry.

"Bear in mind that textile in America create a large employment pool and if our people can be given fair wages it must follow the collective purchasing power. This would be a very sizable sum. We therefore ask you to use your good influence in seeing that this textile field receives and gets a fair minimum wage and that same shall be retained regardless of peacetime conditions. The opposite of any other action but this means a chaotic labor market with wages of 15 to 20 cents per hour. It will likewise mean labor disturbances, uncalled for union action, etc. The writer has gone to business school and knows there is something like the law of supply and demand. But at the same time can see no reason why this law can't operate at a fair livable minimum wage as well as an unfair, unlivable, unjustifiable starvation condition. We, likewise, feel that if all our competitors are made to pay the same irreducible minimum it would put none of us in an unfair competitive position."

It should not be overlooked that the minimum wage stimulates improved organization and the introduction of efficient equipment and methods. Often the savings resulting from these improvements more than offset the cost of the higher wage. In a study of the seamless hosiery industry, after the enactment of the FLSA in 1938, it appeared that about 10 percent of the establishments in the industry were faced with serious operating difficulties. On the other hand there were instances where an adaptation of the machinery permitted so great an increase in the productivity of labor that labor costs were lower after the 25-cent minimum wage became effective than they had been before.

I am confident that just as occurred with the enactment of the Fair Labor Standards Act in 1938, enactment of the 65-cent minimum hourly wage, and increasing this minimum to 75 cents in 2 years (which sum is barely adequate to provide minimum subsistence) will greatly benefit industry and labor. Furthermore these benefits will far outweigh any resulting hardship to individually isolated plants.

EXHIBIT 75

[From Survey of Current Business, October 1944]

RETAIL SALES AND CONSUMER INCOMES

By Louis J. Paradiso, Chief, Business Statistics Unit, Bureau of Foreign and Domestic Commerce

Although retailers as a group have experienced record sales throughout the war period, the uneven flow of civilian goods resulted in significant distortions and shifts in the volume of sales by various lines of trade. As a consequence, most retailers increased their sales with favorable profit returns; some that felt the full impact of shortages in particular lines were less favorably situated. All are now concerned about the prospect, once the flow of income turns downward as it will with the collapse of Germany.

The end of the European phase of the war will be the signal for the resumption of the production of numerous civilian goods whose supply has been greatly curtailed since Pearl Harbor. It is certain that not all types of these goods will come on the market at the same time. Increased supplies of some items will be available almost immediately—those requiring no conversion of facilities, such as gasoline and clothing. Many other products, however, such as passenger automobiles, will require months before the first units are produced, and a high volume of output will take a considerably longer period. During readjustment from war to civilian production, retailers in particular will be vitally concerned not only with the speed of the reconversion and the timing of production, but also with the volume and character of the demand for goods.

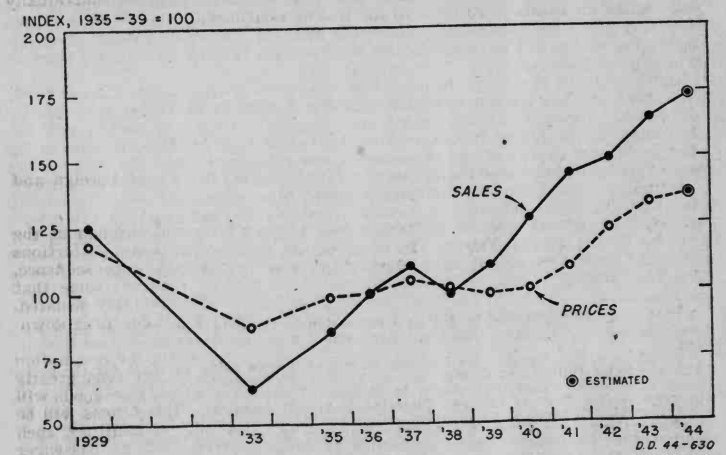
In view of the many perplexing problems which retailers face, an examination of the factors affecting the volume of retail trade should prove of value in appraising the outlook for the near future. This report appraises the status of retail trade by kinds of business in 1944, the peak year of our war effort, indicating how retail volume is affected by changes in purchasing power of consumers. The outlook for retail trade during the transition period is also briefly reviewed. But of more fundamental importance is the analysis of how retail sales by kinds of business are related to consumer incomes, and the demonstration of the manner in which these relations can be used as guides to the analysis of postwar markets.

RECORD RETAIL SALES IN 1944

An outstanding development during the war period—one contrary to the expectations of many—has been the steady increase in retail sales. In 1944, sales of retail stores are estimated to reach a total of $67,000,000,000. This is the highest dollar aggregate on record—60 percent above 1939, and 20 percent above 1941. This means that on the average every man, woman, and child in the country will spend $510 in retail stores this year, compared with an expenditure of $430 in 1941 and $320 in 1939.

A large proportion of the sales rise since 1939, however, is accounted for by higher prices. An accurate measure of price changes in a war period is difficult to construct, and existing measures probably understate the actual price increase. Nevertheless, the specially constructed index of prices applicable to purchases at retail stores of the Department of Commerce [1] gives a rough measure of the influence of changes in prices on sales. On the basis of this index, about 70 percent of the entire increase in retail sales from 1939 to 1944 is accounted for by higher prices. After allowing for the price change, it appears that the quantity of goods purchased in retail stores reached a peak in 1941. Despite the wartime shortages of many consumer goods which have developed since that year, the quantity of goods purchased in 1944 was only about 5 percent less than in 1941, and exceeded 1939 purchases by perhaps 15 percent. A comparison of total retail sales and retail prices is shown in chart 1.

CHART 1.—SALES OF RETAIL STORES AND RETAIL PRICES



Source: U. S. Department of Commerce.

[1] For a description of this index, see the Survey of Current Business, August 1943, p. 6.

Actually the quantity of goods purchased this year at retail outlets will be distributed among fewer consumers than in the preceding war years because several millions of our armed forces are overseas. Taking this fact into consideration it appears that the per capita quantity of goods purchased at retail stores in 1944 was almost equal to that of 1941. These few observations make it clear that the effect of the war on retail trade has been to halt the rise in the quantity of goods purchased on an over-all basis rather than to curtail the volume substantially.

There has been, of course, some deterioration in the quality of goods available, and likewise some curtailment in the amount of services associated with the sales. These modify the quantity comparisons to some extent, but in no way qualify the general picture of high domestic consumption during the war.

Sales Versus Purchasing Power

That consumers would have purchased more goods had the usual variety been available is clearly evident on the basis of their past performance as is shown in chart 2. The chart shows the close relation between the disposable income of individuals (their total income remaining after payment of personal taxes) and sales of retail stores. It is to be noted that for the 20-year period 1922–41, the points indicating the sales and income for each year fall very closely about a well-defined straight line representing the sales-income relationship. On the basis of the experience covered by the 20-year period, an increase of 10 percent in disposable income of individuals was accompanied by an increase of about 12 percent in retail sales.[2] Expressed in other terms, the relationship implies that about 70 percent of any given increase in disposable income went for purchases of goods at retail stores.

The persistence of this close correspondence in movement through the peacetime period is indeed striking. In fact, the average annual error in the sales as computed by the formula [3] from the actual sales for the entire period is only 1.4 percent while the maximum error, which occurred in 1940, is only 4 percent.[4] This means that the change in consumer income is by far the most important factor that retailers need to consider in determining the outlook for their business. Retailers have always known this as a general proposition; the significant feature is the very high degree of correlation.

Although sales and income have followed a closely related pattern in the peacetime years, such was not the case during the war years. The chart clearly indicates the effects of wartime shortages of goods. In contrast to the prewar years when all points were close to the line of relationship, the points for 1942, 1943, and 1944 were considerably below the line. It follows that retail purchases during the war period have failed by a wide margin to keep up with the wartime expansion in incomes.

There is little reason to believe, however, that if supplies had been freely available consumer purchases would not have been in line with the past relation to income. Although it is impossible to determine how the straight-line relationship might have shifted in the area of the recent high levels of income in the absence of past experience at these levels, nevertheless, within the range of the past experience there is no indication of a shifting of the line as income increased.

Assuming, therefore, that consumers would have purchased goods in accordance with their past behavior, it is estimated that retail sales in 1942 would have exceeded the actual sales of $13,000,000,000, in 1943 by $17,000,000,000, and in 1944 by almost $20,000,000,000. In other words, the total discrepancy between potential sales and actual sales during the war period amounted to almost $50,000,000,000.[5]

[2] This result was obtained by fitting a regression to the data from 1922–41 having the form: Sales$=A$ (disposable income), where A and a are constants determined from the data.

[3] Based on a linear regression between sales and income using the data for the period 1922–41: Sales (billions of dollars) $= -6.771 + 0.703 \times$ disposable income. This is a different formulation from that shown in footnote 2 above but within the range of the observations the "fit" of the two formulas is almost identical. This formula has the advantage that it gives a conservative estimate when extrapolating far beyond the range of observations. See Henry Schulz, The Standard Error of a Forecast from a Curve, Journal of the American Statistical Association, June 1930, pp. 11–57.

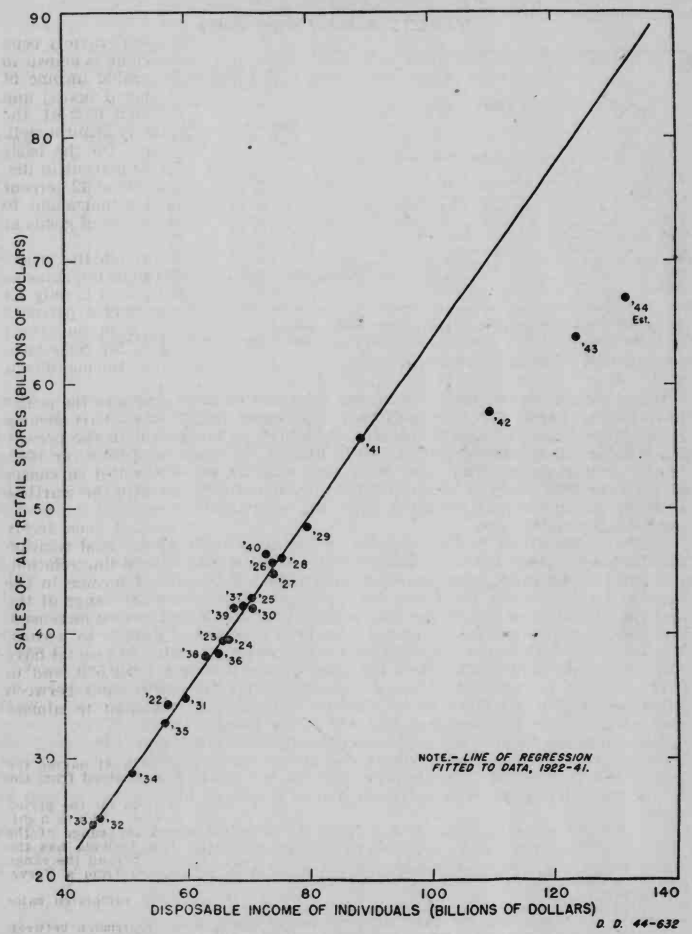
[4] The error is computed as the difference between actual sales and calculated sales expressed as a percent of the calculated sales.

[5] These results are obtained on the basis of extrapolating a linear regression between sales and income using the data from 1922 to 1941; see footnote 3.

This discrepancy has its counterpart in the greatly increased savings of individuals. These savings took such forms as increased cash holdings, purchases of war bonds, and reduction of debt. Indeed, it appears that the $50,000,000,000 discrepancy noted above is about equal to the total volume of liquid savings of individuals in the 3-year period 1942–44, after allowance is made for the normal increase in liquid savings which would have taken place at the corresponding levels of income.

The wartime restrictions on the civilian use of metals and other critical materials had their impact primarily on retailers selling durable goods. The effect of the curtailment on sales of these stores may be seen from the fact that while

Chart 2.—Relationship Between Sales of All Retail Stores and Disposable Income of Individuals



Source: U. S. Department of Commerce.

in 1939 their sales constituted 25 percent of total retail sales, in 1942 they accounted for only 17 percent and in 1944 the proportion is estimated at 14 percent.

Even more striking is the contrast in the sales of these stores with the sales of the nondurable goods stores, in relation to the disposable incomes of individuals, shown in chart 3. In the peacetime years since 1929, sales for each group of stores were very closely associated with the changes in incomes. The experience in these years indicates that an increase in the disposable income of 10 percent resulted in a rise in sales of durable goods stores of 18 percent.[6] This increase in sales may be thought of as the sales-equivalent of income. From the demand side this may be termed the demand-elasticity. The sales-equivalent for the nondurable goods stores is much less, amounting to 10 percent or a one-to-one equivalence. This means that the demand-elasticity for durable goods is almost twice as much as for nondurables.

TABLE 1.—*Sales of retail stores*

Year	Total retail sales (billions of dollars)		Per capita retail sales [1] (dollars)	
	Current dollars	1941 dollars [2]	Current dollars	1941 dollars [2]
1929	48.5	44.5	399	366
1933	24.5	30.6	195	244
1935	32.8	36.4	258	286
1939	42.0	46.1	321	352
1940	46.4	50.0	352	379
1941	55.6	55.6	418	418
1942	57.8	50.9	432	380
1943	63.8	52.1	480	392
1944	67.0	53.5	510	407

[1] Sales divided by population exclusive of servicemen abroad.
[2] Dollar sales adjusted for changes in the retail price index of the Department of Commerce.

Source: U. S. Department of Commerce.

Since 1941, however, the sales-income relations of these two groups of stores have shown sharply divergent patterns. The upper section of chart 3 pictures a most interesting development, namely, that sales of nondurable goods stores in the war period continued to increase in almost the same relation to income as in the prewar years. That they were very slightly below the line of relationship in the war years is accounted for almost entirely by the greatly reduced sales of filling stations resulting from the sharp cut in supplies of gasoline available for civilan use.

In marked contrast to this stability in the nondurable-goods outlets, sales of durable-goods stores fell very sharply below what would have been expected on the basis of the purchasing power of consumers. It is this group of stores that account for practically the entire discrepancy between the potential retail sales and the actual sales during the war period. For the 3-year period 1942–44 this discrepancy between sales that could have been expected at durable-goods stores, in view of the high levels of income, and actual sales amounted to $45,000,000,000. For the nondurable goods stores the discrepancy was less than 5 billions.[7]

It must not be concluded from this analysis that there will necessarily be a sales gap of $50,000,000,000 to be filled by consumers at retail stores after the war is over. The deferred demands will be far less than this. While it is true that the pent-up demand for goods, particularly the durables, will be substantial, the magnitude of this demand will depend not so much upon the accumulated savings of individuals but on many other factors, the most important of which will be the prevailing level of employment and of consumer incomes in the post-war years.

The main conclusion to be drawn from the wartime-spending pattern of consumers is that there was no apparent spill-over of their greatly increased incomes into the purchase of nondurable goods as a result of the severe shortages

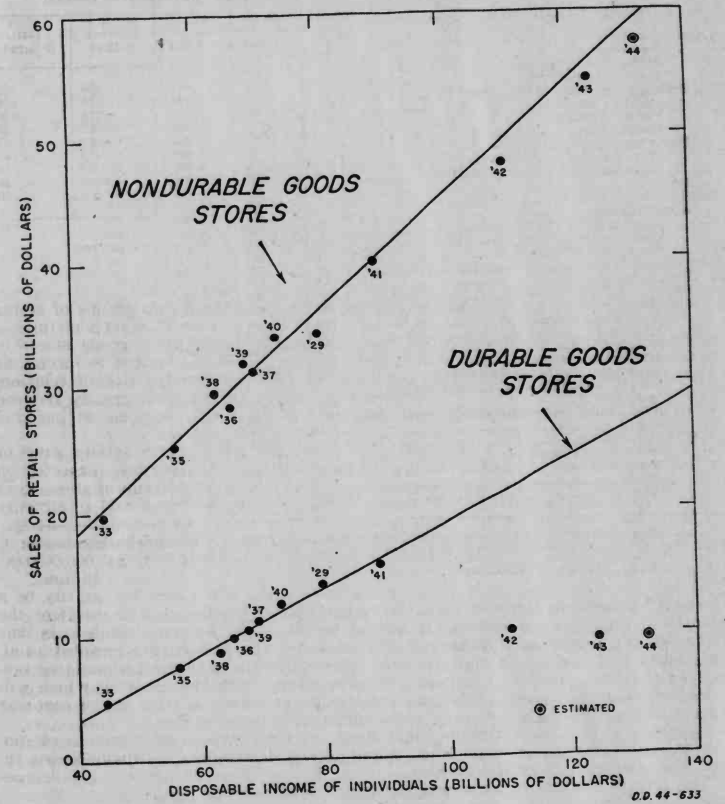
[6] See footnote 2.
[7] These results are based on the following linear regression between sales and income using the data from 1929 to 1941: Sales of durable goods stores (billions of dollars)= $-6.946+0.259\times$disposable income (billions of dollars); sales of nondurable goods stores (billions of dollars)$=0.3258+0.4466\times$disposable income (billions of dollars).

of durables. This result has an important implication on the outlook for trade in the future. It suggests that the sales for one large segment of retail trade, the nondurable goods stores, have shown a very high degree of stability in relation to income. This was true even though the economy passed through periods of depression, prosperity, and war. On the basis of this experience, it would seem that the aggregate sales of nondurable-goods stores in the post-war period will be determined almost entirely by the volume of consumer incomes prevailing at that time.

SALES IN 1944 BY LINES OF TRADE

The general wartime pattern of retail sales became apparent soon after Pearl Harbor, although the magnitude was not too clear at that time. With the complete stoppage of production of passenger automobiles, of the major electrical appliances, and many hardware goods, civilian demands for these commodities

CHART 3.—RELATIONSHIP BETWEEN SALES OF DURABLE AND NONDURABLE GOODS RETAIL STORES AND DISPOSABLE INCOME OF INDIVIDUALS



[1] Lines of regression were fitted to data for selected years, 1929-41.

Source: U. S. Department of Commerce.

could only be filled from the existing stock pile. The problem was essentially that of how long it would be before retailers were completely sold out of such goods. The vital question in early 1942, therefore, was concerned with the extent of the curtailment of other commodities whose output was not expressly prohibited or curtailed by government order. Actually the output of these items was not greatly reduced during the war period, since nearly all of the production of nondurable goods for military use was secured from an expansion in total output.

The wartime changes in retail sales are shown in table 2 which gives the percentage change in sales for 25 kinds of retail businesses from 1941 to 1944. All data for 1944 are, of course, preliminary and are based on actual information for

TABLE 2.—*Sales of retail stores, by kinds of business*

[Millions of dollars]

Kind of business	1939	1941	1943	1944 [1]	Percent change 1941 to 1944
All retail stores	42,042	55,637	63,818	67,000	+20
Durable goods stores	10,379	15,635	9,480	9,620	−38
Automotive group	5,549	8,544	2,751	2,720	−68
Motor vehicle dealers	5,025	7,794	2,003	1,900	−76
Parts and accessories	524	750	748	820	+9
Building materials and hardware	2,735	3,862	3,366	3,710	−4
Building materials	1,761	2,435	2,079	2,280	−6
Farm implements	345	524	385	430	−18
Hardware	629	903	902	1,000	+11
Home furnishings group	1,733	2,642	2,399	2,190	−17
Furniture and housefurnishings	1,200	1,812	1,880	1,730	−4
Household appliances and radio	533	830	519	460	−45
Jewelry	362	587	964	1,000	+70
Nondurable goods stores	31,663	40,002	54,338	57,380	+43
Apparel group	3,259	4,157	6,323	6,550	+58
Men's clothing and furnishings	840	1,096	1,497	1,490	+36
Women's apparel and accessories	1,323	1,690	2,893	3,140	+86
Family and other apparel	479	605	907	940	+55
Shoes	617	766	1,026	980	+28
Drug stores	1,563	1,875	2,746	2,970	+58
Eating and drinking places	3,520	4,796	8,034	9,070	+89
Food group	10,165	12,576	17,450	18,010	+43
Grocery and combination	7,722	9,604	13,276	13,840	+44
Other food	2,443	2,972	4,174	4,170	+40
Filling stations	2,822	3,454	2,462	2,560	−26
General merchandise group	6,475	7,931	9,965	10,330	+30
Department, including mail order	3,975	5,027	6,120	6,350	+26
General, including general merchandise with food	922	991	1,301	1,360	+37
Other general merchandise and dry goods	601	738	1,119	1,160	+57
Variety	977	1,175	1,425	1,460	+24
Other retail stores	3,859	5,213	7,358	7,890	+51
Feed and farm supply	779	1,119	1,962	2,040	+82
Fuel and ice	1,014	1,260	1,600	1,700	+35
Liquor	586	811	1,386	1,640	+102
Other	1,480	2,023	2,410	2,510	+24

[1] Preliminary estimates based on data for the first 8 months of the year. The estimates for the remaining months of this year were based on the projections of trends established in the first 8 months.

Source: U. S. Department of Commerce.

the first 8 months of the year only. Sales by kinds of business in the remaining months of this year are expected to follow the seasonally adjusted trends established in the preceding months and the totals for the full year calculated on this basis will not be significantly affected even if the war in Europe should end in the latter part of the year. It is apparent from the table that every group of nondurable-goods stores showed significant increases from 1941 to 1944 except filling stations whose sales were curtailed because of smaller allotments of gasoline to civilians. On the other hand, of the 8 groups of durable-goods stores, all but 3, i. e., automobile parts and accessories dealers, hardware stores and jewelry stores, showed decreases.

The largest relative increase was the doubling of sales of liquor stores. Eating and drinking places, women's apparel and accessory stores, feed and farm supply stores and jewelry stores all recorded sales increases of more than 70 percent. Sharpest cuts were experienced by motor vehicle dealers and household

appliances and radio stores. These changes in dollar sales reflect the effect of price increases. In table 3 the adjustment has been made in terms of constant prices (1935–39 average) for 11 major kinds of retail business. While such adjustments can only be approximate, it will be noted that, with few exceptions, the trends shown by kinds of business were similar after adjustment for price changes.

TABLE 3.—*Sales of retail stores, by major kinds of business, adjusted for price change*

[Billions of 1935–39 dollars]

Kind of business	1939	1941	1943	1944	Percent change, 1941–44
All retail stores	42.5	51.3	48.1	49.4	−4
Durable goods stores	10.0	13.5	7.1	6.8	−49
Automotive	5.2	7.1	1.8	1.7	−76
Building materials	2.7	3.4	2.7	2.9	−16
Furniture	1.7	2.5	1.9	1.6	−34
Jewelry	.4	.5	.6	.6	+32
Nondurable goods stores	32.5	37.8	41.0	42.5	+12
Food	10.7	11.9	12.6	13.2	+11
Eating and drinking	3.7	4.5	5.8	6.6	+46
Apparel	3.2	3.9	4.8	4.7	+22
Filling stations	2.9	3.4	2.3	2.4	−30
Drug	1.6	1.8	2.3	2.5	+37
General merchandise	6.5	7.4	7.7	7.6	+3
Other	4.0	4.9	5.4	5.5	+13

Source: U. S. Department of Commerce.

SALES EQUIVALENTS

Of particular interest to retailers is the effect of a change in consumer income on sales by kind of business. It is well known that when incomes of individuals are on the increase, certain lines of trade will feel the effects to a much greater degree than others.

Charts 4 and 5 show sales-income relations for twelve important nondurable-goods stores and nine durable-goods stores. As in the case of charts 2 and 3, the points represent for each year sales for the particular kind of business and the corresponding disposable income of individuals.

It is evident that for the period from 1929 to 1941 the tendency has been for sales to increase with increasing incomes, although the proportionate increase varies by lines of trade. In a number of trades there was an upward trend or a downward trend with the shift in time from 1929 to 1941, aside from the effect of the change in income. For example, in the case of eating and drinking places the time trend has been progressively upward; thus, although the disposable income in 1940 was less than in 1929, sales in 1940 were 80 percent above 1929. Filling stations show an even more pronounced upward movement through time. Men's clothing stores is an example of a business where the secular trend has been downward.

These shifts through the years, after allowance for the effect of the changes in disposable income, are due to a number of factors. The most important which operate generally are (1) increase in the population, (2) an upward or downward trend in prices charged for the particular goods sold relative to the trend in general retail prices, (3) gradual shift in the pattern of consumer purchases, i. e., away or toward certain types of commodities, and (4) shifts in the character of stores which results in a change in classification from one type of business to another. In this connection, for example, there has been a shift in stores classified as general stores and general merchandise with food to the food group. This explains in part the upward movement in sales of food stores through the years. Such shifts in trends must be taken into consideration if these relations are used as indications of future patterns of sales.

In addition to the general factor there are special cases, as in the instance of eating and drinking places whose sales were determined in considerable degree by the repeal of the prohibition amendment in 1933. More recently the sub-

CHART 4.—RELATIONSHIP BETWEEN SALES OF NONDURABLE GOODS RETAIL STORES, BY TYPES OF STORES, AND DISPOSABLE INCOME OF INDIVIDUALS [1]

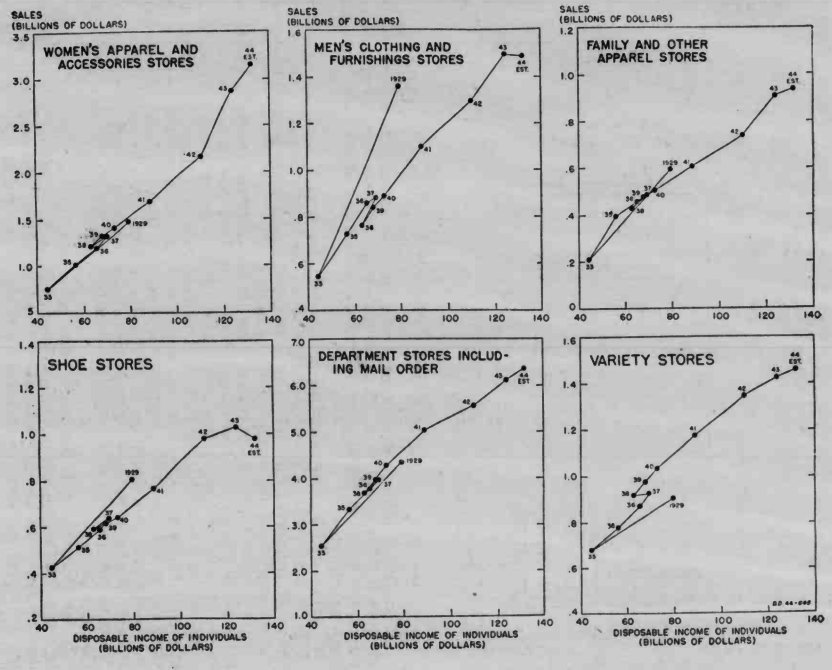
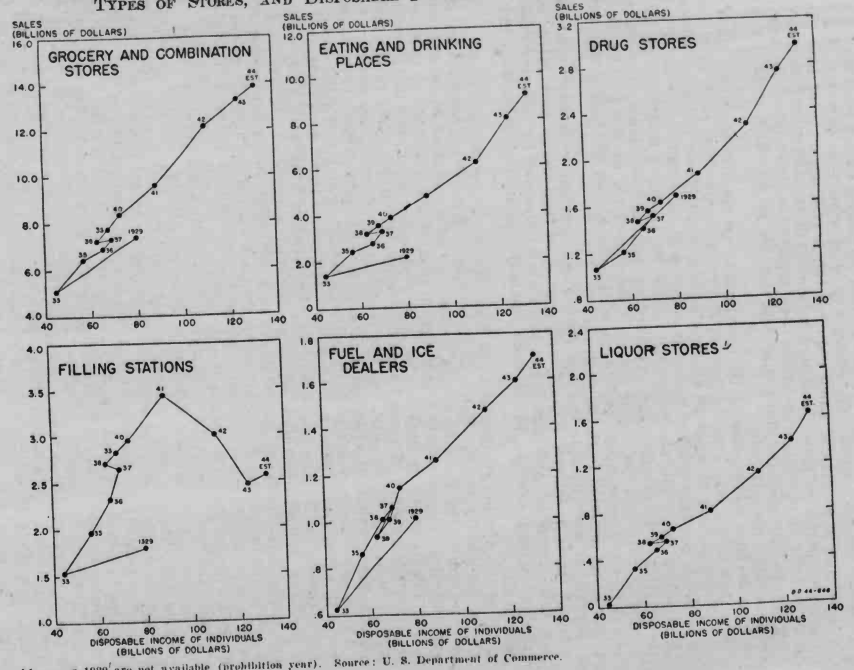


CHART 4.—RELATIONSHIP BETWEEN SALES OF NONDURABLE GOODS RETAIL STORES, BY TYPES OF STORES, AND DISPOSABLE INCOME OF INDIVIDUALS [1]—Continued



[1] Data for 1929 are not available (prohibition year). Source: U. S. Department of Commerce.

stantially increased taxes on liquors have increased prices and hence dollar volumes.

The effect of wartime conditions on the various kinds of business is vividly shown in charts 4 and 5. In each of the nondurable goods groups in chart 4 the relation of sales to income for the prewar years is very close. During the war period none of the groups kept pace with income except women's apparel stores which increased sharply as a result of trading-up, relatively larger price increases, and the increased participation of women in the economy as the use of resources intensified. The sharp dip in shoe-store sales since 1943 was, of course, due to shortages which required the imposition of rationing. Although sales of department stores increased substantially throughout the war period, the rise was not up to what would have been expected on the basis of incomes. This reflects in the main the short supply of durable goods which restricted the volume of some departments.

The diverse movements in the nondurable groups illustrated in chart 4 are the result of the wartime use characteristics of the products sold. For example, the sharp decline in sales of filling stations results from the tremendous military needs for this product with the consequent stringent rationing of gasoline for civilian use. The sharp upward movement of eating and drinking places is due in part to the changing habits caused by wartime conditions. The sharper increase in 1944 sales of liquor stores is accounted for by the freeing of larger quantities of liquor stocks and to an additional tax on alcoholic beverages, the latter being included in the sales prices.

Somewhat surprising is the fact that despite rationing of many foods which were at times in relatively short supply, sales of food stores were fairly well in line with incomes. Although dollar sales were influenced by price increases and trading-up, on the whole, the civilian economy was well supplied with the basic foodstuffs.

All of the durable goods groups in chart 5 experienced large declines in sales, except the jewelry stores. Sales of the latter stores increased beyond what would be expected on the basis of consumer incomes as a result of increased sales of high priced jewelry, stocks of which were very large and supplies to a considerable extent supplemented by imports; of increased repair work, and of the considerably increased output of variety items. Additional servicing and replacement of parts due to the age of cars, and the substitution of many nondurable lines of merchandise, enabled the parts and accessories dealers to bolster their sales.

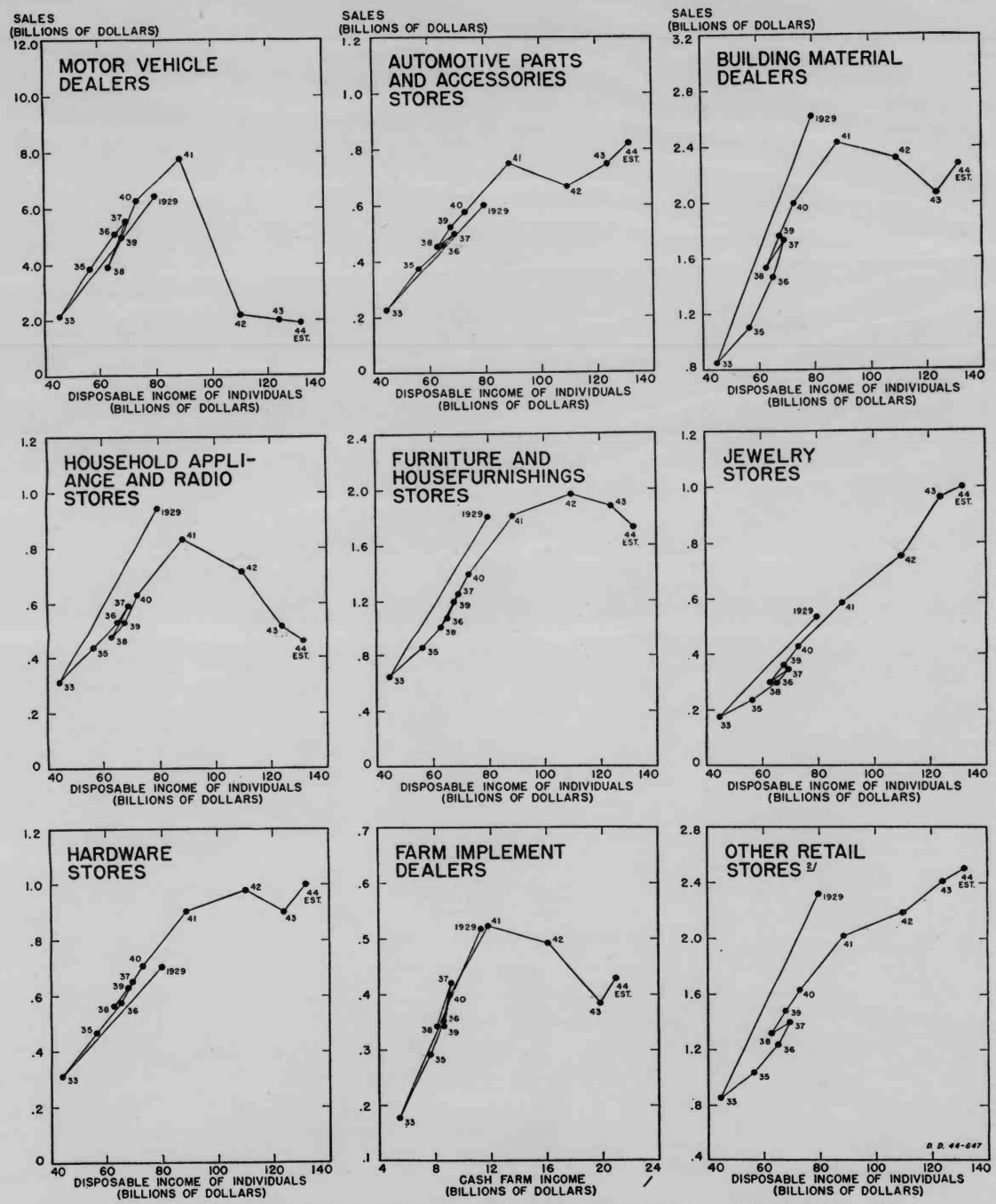
These sales-income relations are not only useful in indicating the trends and shifts in sales since 1929, but they also determine the demand elasticity, or sales equivalent, for the goods sold in each kind of business. Such measures of the sales equivalent can be helpful guides to retailers in the transition period and more importantly so in the postwar years after full reconversion of industry has taken place. Table 4 presents for each kind of business the sales equivalent associated with a 10-percent change in disposable income of individuals.[8] These are based upon the experience prevailing in each line of trade from 1929 to 1941. The lines of trade in the table are in order of decreasing sales equivalent.

It may be noted that the retail sales most sensitive to changes in consumer incomes are those of motor-vehicle dealers, jewelry stores, and liquor stores. Each of these has a sales equivalent of 19 percent. At the other end of the scale the least sensitive are variety stores, filling stations, and grocery stores, having a sales equivalent of 5, 6, and 7 percent, respectively. On the basis of these sales equivalents, retailers can determine the change in sales to be expected with a given change in disposable income of consumers. For example, a decline of 5 percent in disposable income may be expected to result in a decline of 7 percent in sales of men's clothing and furnishings stores.

The sales equivalents are valid if all the factors influencing sales other than disposable income are constant from one year to another. In determining the effect on sales of a given change in income for the same year, no modifications need to be made to the results obtained by the use of the sales equivalent given in the table. However, if the effect on sales is to be determined for a given change in income from one year to another some allowance must be made for the upward or downward tendency through the years shown by a number of lines of trade.

[8] The general formula from which the sales-equivalent ratio was derived follows: Sales $= A \times$ (disposable income) ^{a} $(1+r)^{year}$, where A, a, and r, are constants determined from the data by the method of least squares for each kind of business. For a description of this method see M. Ezekiel, Methods of Correlation Analysis, John Wiley & Sons, New York, 1938. The constant a provides the basis or determining the sales equivalent to a change in income.

CHART 5.—RELATIONSHIP BETWEEN SALES OF DURABLE GOODS RETAIL STORES, BY TYPES OF STORES, AND DISPOSABLE INCOME OF INDIVIDUALS[1]



[1] Sales of farm implement dealers are related to cash farm income which includes governmental payments beginning with 1933.
[2] Includes both durable and nondurable goods stores. Source: U. S. Department of Commerce.

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The magnitude of the change in sales from year to year, after elimination of the effect of the income variations, can be ascertained from the sales-income formulas given in the appendix to this article.

TABLE 4.—*Sales equivalent of a change in income, by kinds of retail business*

Kind of business	Percent change in sales resulting from 10 percent change in disposable income of individuals [1]	Sales equivalent group (percent)
All retail stores	12	
Durable goods stores	18	
Nondurable goods stores	10	
Motor vehicle dealers	19	15–20.
Jewelry stores	19	
Liquor stores	19	
Building materials dealers	18	
Household appliances and radio stores	17	
Furniture and home furnishings stores	17	
Auto parts and accessories stores	17	
Family and other apparel stores	15	
Hardware stores	14	10–15.
Men's clothing and furnishings stores	14	
Women's apparel and accessories stores	10	
Shoe stores	10	
Eating and drinking places	10	
Department (including mail order) stores	10	Under 10.
Other general merchandise and dry goods stores	9	
Fuel and ice dealers	9	
Drug stores	9	
Grocery and combination stores	8	
Filling stations	7	
Variety stores	6	
	5	

[1] Based on regressions using the form: $Y=A\,(1+r)^t X^e$, where=disposable income of individuals, t=year, r, e, and A are constants determined from the data for the period 1929 to 1941 for each kind of business. The percentages represent the net effect of a change in income and assumes all other factors influencing sales to be constant. In other words, the effect of the net growth or decline in sales is eliminated.

RETAIL TRADE OUTLOOK

The current year is expected to represent the peak for the war period. Plans have been developed for substantial cut-backs in production for military use with the elimination of Germany from the war, and these reductions will curtail consumer incomes and will have sharp repercussions on retail trade. There will be considerable divergence among particular lines, and, in general, we may expect that for an extended period sales of durable goods will continue to be limited by the productive capacity while sales of nondurable goods will react to the downward shift in income. On the assumption that the German phase of the war is liquidated this year, or early in the next, the following analysis indicates the general sales trends.

Consumer stocks of many durable goods such as automobiles and household appliances have been seriously depleted or worn out during the war. This deferred demand is too large to be materially affected by any decline in individual incomes that may occur in 1945 with the war continuing on the Pacific front. Consequently, the factors limiting output will determine the volume of sales. The cut-backs in the military program following upon the defeat of Germany will release substantial quantities of materials, men, and facilities, but the process of reconversion will take time—war contracts must be settled, plants must be cleared, and new equipment installed. Just how rapidly the reconversion will be accomplished will vary from industry to industry and from plant to plant, but it appears fairly evident that anything like full capacity production of consumer durable goods will not be attained in 1945. Weighing these factors, it is expected that the 1945 sales of durable goods at retail stores will be more than in 1944, although considerably below the 1941 peak.

With the release of considerable amounts of steel and other metals for civilian use, household appliances, and prewar quality furniture will be produced in enlarged quantities. Consequently, sales of stores handling these goods will rise sharply from the low wartime levels of 1944. The demand for furniture will be

favorably influenced, not only by those who have waited for better quality but by the establishment of new households by demobilized soldiers, and others having temporary arrangements because of the war.

Although the production of passenger automobiles at best will be only a fraction of the industry's capacity output, sales of motor-vehicle dealers will rise sharply as soon as cars can be made available. More parts and accessories will be available, and because existing cars will be older and require more servicing, parts and auto-repair shops will continue to experience a favorable demand for service which can be met more readily with the easing of the manpower situation.

Lumber will continue to be tight in 1945 but—once Germany is defeated—nonwar new construction and maintenance activity will increase and sales of lumber and building-material dealers and hardware stores will rise, although only moderately. Of the major types of durable-goods stores, the only group which is expected to show lower sales in 1945 is jewelry stores. These are expected to follow the income trend.

For most of the non-durable-goods groups the prewar relationships between sales and disposable income of individuals will be applicable in appraising the 1945 situation. In contrast to durable goods, supplies of most nondurables will be available in ample quantities, and the purchasing power of consumers will be the most important factor affecting sales. As a result of cut-backs in the war program some unemployment will occur. Furthermore, when war production demands are eased, the take-home pay of those employed will be reduced as a result of the shortening of the workweek, the down-grading of jobs within plants, and the shift from high-wage to low-wage industries. Consequently, a moderate reduction in consumer incomes is expected in 1945, which in turn will entail a corresponding reduction in the total sales of non-durable-goods stores.

Not all groups of non-durable-goods stores, however, will be affected equally by the expected cut in the disposable incomes of individuals. Sales of those groups with the highest sales equivalent to change in income would be relatively most affected by the reduction in income. Thus, the decline in sales of eating and drinking places and of apparel stores, resulting from the anticipated decline in disposable income, would be expected to be proportionately more than the decrease in sales of grocery and variety stores.

In addition, there are a number of special factors which may affect the sales of some of the non-durable-goods groups. While total food production is expected to be about the same in 1945 as in 1944 (assuming a favorable growing season), it is not certain to what extent the decline in the needs of the armed forces will be offset by the increase in the requirements for European relief. At the moment it appears that the quantities of food available for civilians will be adequate next year, while food prices are expected to average lower.

A similar situation maintains in the case of clothing. Undoubtedly the amount of apparel that could be used for relief is almost unlimited, but there is no way of knowing at present how much will be taken for this purpose. The most important factor affecting sales of apparel stores will be the consumer demand, as supplies of most types of clothing will be ample. Apparel stores will not maintain the record dollar sales level of 1944. The factors that made for this record will be reversed. Demand for high-priced apparel will decrease, while increased supplies of lower-priced goods will again activate price competition. Reduced sales arising from these factors will be offset only in part by the demands of demobilized soldiers who will use their mustering-out pay to outfit themselves.

In summary, the trends in retail trade following the defeat of Germany will reverse the movement of 1944. Sales of durable-goods stores will be up, because increased production will be possible and the demand will be insistent. Sales of nondurable-goods stores, on the other hand, will show mixed trends by kinds of business, but in total they are expected to follow the downward trend in consumer income.

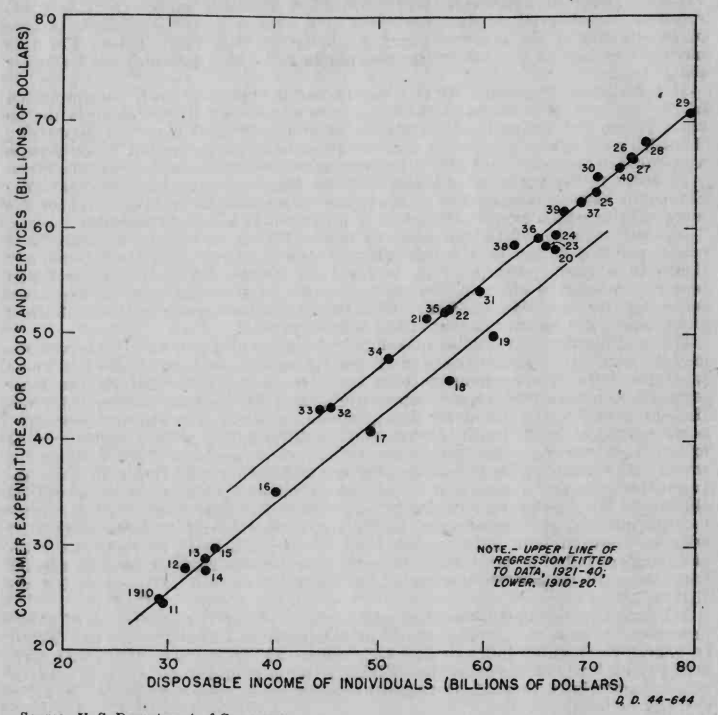
Retail Sales After Transition

The period of transition will be essentially one of readjustments for the economy as a whole and in particular for retail trade. Difficult as the problems will be in this period, retailers are also vitally concerned with the prospects in the period following the transition. Will consumers alter their buying habits or will the prewar patterns tend to prevail after most of the pent-up demands have been satisfied? Will consumer purchasing power be maintained at sufficiently high levels to permit a profitable volume of retail sales in the postwar

years? Will new products be introduced which will stimulate industry and commerce and in turn generate an increasing volume of retail purchases? Obviously, the answer to these questions must wait upon future developments and cannot be given at this time.

However, some light on possible postwar trends can be obtained by a study of the experience in the periods before and after the First World War. Chart 6 presents the relation between consumer expenditures and disposable income for the years 1910 to 1940.[9] A similar pattern would have been obtained if sales of retail stores, which constitute about two-thirds of all consumer expenditures, had been used.

Chart 6.—Relationship Between Consumers' Expenditures for Goods and Services and Disposable Income of Individuals



Source: U. S. Department of Commerce.

Two significant observations may be made from this chart. The first is that the relation between the level of expenditures and income for the period 1910 to 1920 did not continue into the 1920's and 1930's. A shift in the relation occurred. The shift was such that consumer expenditures for the same amount of income were generally about $5,000,000,000 higher in the period after 1920 than in the earlier period. The implication of this is that consumers saved a relatively

[9] The data used in this chart are based on a number of sources: Consumer expenditures for 1909, 1914, 1919, based on estimates of W. H. Lough, High-Level Consumption, McGraw-Hill Book Co., Inc.; other years from 1909 to 1919 interpolated by the Department of Commerce; from 1919 to 1928 based on H. Barger, Outlay and Income in the United States, 1921–38; from 1929 to 1940, based on estimates of the Department of Commerce. Disposable income estimated on the basis of data from the Department of Agriculture, National Bureau of Economic Research, and Department of Commerce.

larger proportion of their incomes in the earlier period. The second observation is that despite the difference in the level of expenditures in the two periods, a given change in consumer incomes resulted in the same proportionate change in their expenditures for each of the two periods.[10] For example, an increase of $10,000,000,000 in disposable income in either period resulted, on the average, in an increase of $8,000,000,000 in consumer expenditures, or an increase of $5,000,000,000 in income resulted in an increase of $4,000,000,000 in expenditures.

That the relation between absolute changes in consumer expenditures and absolute changes in disposable income has been stable in the 30-year period since 1910 is indeed striking. It persisted under widely varying conditions—in a world war, in the prosperous years of the twenties when many new products and industrial techniques were developed, in the great depression and in the subsequent recovery years. The continuity of the relation provides a highly valuable guide in appraising postwar trends in retail sales. On this basis retailers can determine what the effect of a change in the disposable income of individuals in the postwar years would be on total retail sales. For this purpose the line in chart 2 or the formula in footnote 3 provides the basis for the estimate.

It must be emphasized that this conclusion is applicable to a determination of the changes in total retail sales and not necessarily to the changes in the sales of any particular line of trade or of any individual firm. In appraising the sales prospects of particular firms or kinds of business, special developments applicable to the individual firm or business must also be taken into consideration.

In order to determine total sales, however, retailers must know not only the change in sales corresponding to a change in disposable income, but also the level of sales which would correspond to a particular level of disposable income. The answer to this latter problem is more difficult to determine, since past experience has shown that in certain periods consumers have tended to alter the savings-income pattern. Will the level of consumer expenditures in relation to incomes tend to shift in the postwar years as was the case in the years following the First World War? Will the expenditure pattern be established at a higher level relative to that of the 1921–40 period?

While the answers to these questions cannot be given, several observations may be made on possible postwar trends. Despite the fact we do not know what the expenditure-income pattern is likely to be in the future, the close correlation between consumer expenditures and incomes in the period from 1921–40 provides the basis for the postwar outlook. Certain developments, however, might result in an upward shift in the relation with a corresponding lowering of the savings-expenditure ratio. New products may come forth which will "catch" with the masses of the population and result in wide repercussions on the nature and extent of consumer spending. This would be similar to the development in the twenties when the improvement of the automobile, and the development of all of the products and services associated with it, resulted in a shift in the level of consumption. In fact, the ratio of savings of individuals to their disposable income was reduced from an annual average of 16 percent, in the period 1910–20 to 9 percent in the period from 1921 to 1940.

A lifting of the expenditure line might also arise by the marketing of existing products in a cheaper and more attractive form. Example of this would be lower-priced automobiles or low-cost houses which would broaden the markets in the low income brackets. Finally, the savings-income pattern can be altered materially through Government policy with respect to social security and tax policies.

These considerations point up the uncertainties involved in the prospects for retail trade in the postwar years. The dominant factors will be the volume of consumer incomes and of employment which will prevail. Past experience indicates the magnitude of the change in sales to be expected with a change in disposable income. In the absence of new developments tending to alter the savings-income pattern, the past relationship should prove a helpful guide in determining the level of expenditures corresponding to a given level of disposable income.

A fundamental question arises in connection with the problem of full employment. Is it necessary to get both a shift in the level of the expenditure-

[10] These results may be stated in more technical terms as follows: The level of relationship was translated by an expenditure of $5,000,000,000 from the first to the second period while the slope of the relationship remained the same.

income line of relation and a change in its slope in order to achieve and maintain full employment? This problem bears on the relation of business investment to consumer spending and saving. This aspect of the consumption problem requires further exploration.

Use of Sales-Income Relations

The following example illustrates the use of the sales-income relations in determining the probable post-war sales volume of a particular retail firm under given assumptions as to the disposable income of individuals. Let us select for purposes of illustration the sales of a leading mail-order house. Sales of this company are included in the department stores (including mail order) group. The relation of sales to disposable income for this group is shown in chart 4. The first step in the procedure is to determine the statistical formula representing the relationship on the basis of the experience from 1929 to 1941. Since in this period sales have shown a net growth aside from changes in income, a time factor is used in the relation to account for the element of growth. The straight-line relation which best approximates the sales of the department-store group is given by the following formula:[11]

Sales (millions of dollars) $=299+53.04\times$ disposable income of individuals (billions of dollars) $+20.45\times$ (year—1936).

This formula gives a very close approximation to sales for the period covered. The average error made for the entire period is only 2 percent with the maximum error of 9 percent occurring in 1933. The formula implies that all other things being equal, an increase of $1,000,000,000 in disposable income resulted in an increase of $53,000,000 in department-store sales and conversely. Also aside from the effect of income, sales have tended to increase on the average by about $20,000,000 per year.

If in some postwar year, say 1948, it were assumed that the level of disposable income would amount to $100,000,000,000 then the corresponding sales of department stores given by the formula would amount to about $5,850,000,000.[12] The level of $100,000,000,000 of disposable income is above that which occurred in any peacetime year and is 37 percent above that of 1940. With the labor force which would prevail in 1948 even this amount of disposable income would be considerably below that which would be associated with full employment. The sales of department stores which could be expected at the $100,000,000,000 level of disposable income in 1948 would also be a peacetime record, although somewhat below the 1943 sales.

In order to apply these results to the sales of the particular mail-order firm, it is first necessary to determine the relation of the sales of the firm to sales of all department stores. Since 1929 the proportion of this firm's sales to total department store sales has increased steadily from 10 percent in that year to 19 percent in 1941. During 1942 and 1943, however, the ratio declined rather sharply. At this point, the company's experience and knowledge of its markets would be very helpful in deciding whether its proportion of total department store business would resume the trend established in the prewar years. If this proportion should amount to 20 percent, then sales of the firm in 1948 at a level of $100,000,000,000 disposal income could be expected to amount to $1,170,000,000.

While this analysis applies most readily to firms having Nation-wide markets, similar methods can be used for those firms whose sales are localized. The problems are those of getting the essential information on sales and income for the areas covered by the firm.

Appendix

For the convenience of those who might be interested in calculating sales by kinds of business under different assumptions of disposable income of individuals and the year, the following list is given of the regression formulas derived from the sales data and income from 1929 to 1941. Sales by kinds of business for the period are published in the Survey of Current Business, November 1943, page 7. The disposable income of individuals is available in the Survey of Current Business, April 1944 since 1938 and May 1932 from 1929 to 1938. In the

[11] The formula is obtained by the use of least squares, a procedure which is described in most textbooks on statistics. See M. Ezekiel, loc. cit.

[12] This is computed from the formula above as follows: Sales (millions of dollars) $=299+53.04\times100+20.45\times(1948-36)=299+5304+245=\$5,848,000,000$.

case of two kinds of business, namely feed and farm supply stores and farm implement dealers, sales were related to cash farm income (including Government payments) instead of disposable income since purchases at these stores were influenced by the purchasing power of farmers.

The relations giving the sales were obtained by the least square method. Each case was then examined from the point of view of whether shifts in the relation occurred in the period covered and whether the linear formula would require modification. In no instance was there any clear evidence for modifying the original formula.

One measure of the reliability of the formulas is the annual average percent error of the actual sales from sales calculated from the formulas. These are also shown in the table below. It may be noticed that the average error did not exceed 7 percent in any case and in 17 kinds of business the average error was less than 5 percent.

In each of the formulas S represents sales of the particular line of trade expressed in millions of dollars, t represents the year and is expressed in terms of deviations from 1936, I represents the disposable income of individuals expressed in billions of dollars, and C cash farm income, also in billions of dollars.

Sales—Income regressions

		Average percentage error of actual sales from calculated sales, 1929–41
DURABLE GOODS STORES		
Automotive group:		
Motor vehicle dealers	$S=-3553+128.55\ I$	5
Parts and accessories	$S=-271+11.37\ I$	3
Building materials and hardware group:		
Building materials	$S=-1252-35.22t+44.31\ I$	6
Farm implements	$S=-93-2.80t+51.82\ C$	4
Hardware	$S=-212+6.79t+12.19\ I$	1
Home furnishings group:		
Furniture and housefurnishings	$S=-930-22.14t+32.20\ I$	4
Household appliances and radios	$S=-472-20.79t+15.83\ I$	3
Jewelry	$S=-349-4.98t+10.62\ I$	7
NONDURABLE GOODS STORES		
Apparel group:		
Men's clothing and furnishings	$S=-358-31.52t+18.62\ I$	3
Women's apparel and accessories	$S=-124+20.61\ I$	1
Family and other apparel	$S=-146+9.02\ I$	5
Shoes	$S=-30-8.53t+9.69\ I$	3
Drug stores	$S=249+18.53\ I$	3
Eating and drinking places	$S=186+193.08t+40.90\ I$	2
Food group:		
Grocery and combination	$S=1837+127.35t+80.22\ I$	2
Other foods	$S=-367-70.20t+42.61\ I$	4
Filling stations	$S=923+128.48t+22.01\ I$	1
General merchandise group:		
Department, including mail order	$S=299+20.45t+53.04\ I$	2
General, including general merchandise with food	$S=596-69.52t+8.14\ I$	2
Other general merchandise and dry goods	$S=-34-32.88t+10.47\ I$	5
Variety	$S=340+17.77t+8.47\ I$	1
Other retail stores:		
Feed and farm supply	$S=-114+4.00t+105.11\ C$	5
Fuel and ice	$S=154+15.38t+12.26\ I$	6
Liquor	$S=-817+20.12\ I$	3
Other [1]	$S=-1031-52.47t+37.52\ I$	6

[1] Includes book stores, news dealers, stationery stores, cigar stores, florists, office equipment and supply dealers, and other minor retail outlets.

NOTE.—S=sales, I=disposable income, t=year−1936, and C=cash farm income (incl. Government payments).

EXHIBIT 76

STATEMENT BY SOLOMON BARKIN, CHAIRMAN, CIO COMMITTEE ON S. 1349, REVISION OF WAGE AND HOUR LAW, ON BEHALF OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS, BEFORE THE SENATE COMMITTEE ON EDUCATION AND LABOR, ON THE PROPOSED REVISION OF THE WAGE AND HOUR LAW TO ESTABLISH A 65-CENT MINIMUM WAGE, OCTOBER 5, 1945.

REVISION OF THE WAGE AND HOUR LAW

The Congress of Industrial Organizations endorses the proposed bill for the revision of the wage and hour law. It regards this action as timely and imperative. Both sound economics and respect for humanity demand its passage.

No more than 4.0 million workers who come under the Fair Labor Standards Act are getting less than 65 cents an hour today.

The worker who must exist on substandard wages does not get enough food to eat; he cannot provide himself and his family with proper clothing; he lives in crowded slums because he cannot afford decent shelter; he gets sick more often and he gets less medical care than other groups in the community; he is a poor customer for the products of American industry; he is a poorer industrial producer because of his substandard living conditions; he is a liability to the community because he consumes a disproportionate share of public expenditure; his educational opportunities are severely limited; he cannot build a decent home relationship.

He is a substandard citizen because he earns substandard wages. His low wages give him no opportunity to improve himself or his family. This vicious and inhuman cycle can only be broken if we revise the wage and hour law upward to 65 cents an hour.

As the President of the United States has pointed out, the present act is obsolete. It is out of march with the times and no longer serves the original function of the bill, which was to advance sound minimum conditions of employment and to promote 'health, efficiency, and the general well-being of workers." The increased cost of living alone has negated the original aims of the bill. Effective underpinning of the American economy demands a rate more in consonance with our present wage levels. We have advanced beyond the goal established in the 1938 act. We must set our new levels in line with our greater sense of responsibility; in line with our new broad goals of providing full employment and a decent standard of living.

We cannot ignore the basic aims for which we fought the war. Our military soldiers made immeasurable sacrifices to assure the safety of our shores and our system and to preserve our democratic way of life. We told them they were fighting for the four freedoms. These four freedoms must not become empty, mocking phrases.

We must attain the basic freedom—freedom from want. Our international responsibilities demand that we proceed to its complete realization in this country. The passage of this bill can be a significant assurance to all that we truly will build a world of peace where our tremendous resources will be fully used and all people will be freed of the gnawing fear of want.

Will our returning heroes be rewarded with medals from the Government and 50-cent-an-hour jobs from industry? Our Government cannot forget its responsibility and promises. The soldier was assured a job with a decent wage. He must not be driven to accept low wage jobs and the miserable living conditions that go with such jobs. He has a right to a self-respecting income which will permit him to live at least on a minimum level of comfort and decency. If he does not get this chance to live like a human being, who will blame him if he begins to wonder whether or not his sacrifices were made in vain?

The industrial soldiers who labored long hours to produce the weapons of war must not be forced to accept the meager standards of low wage industries. Their devotion and sacrifice must not be forgotten in the mad rush for profit. The purposes for which we fought will be forgotten if workers are not assured earnings in private industry which will at least guarantee minimum subsistence wages.

We urge your adoption of the proposed bill. No better evidence can be furnished to the American veterans and the industrial soldiers that this country is reconverting to a sound economy which will guarantee full employment and a living wage.

Not only must we free the industrial worker and the returning soldier from the fear of want and insecurity, but we must also free our economy from the glutted markets and rotting stores which pile up for lack of customers. The American worker must have decent wages if industry expects him to buy back the goods and services he produces. A low wage worker—and there are many millions of them in every branch of our economy—is a poor customer for the products of American industry, and the American customer is the primary market for our products. In the words of your subcommittee, the 65 cent proposal is "a practical first step toward assuring the mass purchasing power which will be essential to the achivement of full employment in the reconversion period." This subcom-

mittee also declared that the adoption of the 65 cents minimum was "desirable from the standpoint of the immediate and long-range needs of the American economy * * *." (U. S. Senate, 1st sess. S. Con. Res. II, report from a subcommittee to the Committee on Education and Labor, Substandard Wages, July 1945).

The tremendous resources of our country can well provide decent wages for the American worker. The mighty productive machine which made dictators tremble can banish the poverty and misery that accompany low wages.

As your subcommittee recently reported, American industry is financially equipped to adopt the terms of the present bill. The profits of all sections of industry—before and after taxes—have been fabulous during the past six years. Corporation treasuries are bursting with many billions of dollars in accumulated reserves, all of which cannot possibly be used for investment purposes. Hidden profits, expanded physical plant facilities and generous tax carry-back provisions also add to the ability of industry to pay the increased wages for which this bill will provide.

Industry needs a sound wage floor to prevent destructive competition. Managements should not compete at the expense of human blood and sweat. Sound competition is not based on lower and lower wages. Minimum wage guaranties will force management to compete on the basis of "who can run the most efficient plant," rather than "who can run the worst sweatshop."

A fully active free economy cannot survive in a country where significant sectors are subjected to low wages. Low wages create the need for governmental subsidies to individuals and to subordinate governmental authorities; they produce excessive local and unequal tax burdens; they discourage the development of retarded economic areas and limit the opportunities for the small and independent business; they prevent the development of the purchasing power necessary to a full economy.

The present bill providing for 65 cents as a national minimum wage is another step in the development of a satisfactory wage structure for American industry. The first was taken during the NRA period. The President's reemployment agreement of July 1933 prescribed a 40-cent minimum wage. The NRA codes confirmed this minimum in many industries, though there were exceptions for other industries. The failure of private industry to maintain these standards voluntarily provided the immediate impetus for Federal legislation to fix the standards attained during the NRA period. The Fair Labor Standards Act of 1938 prescribed a 25-cent minimum for the first year, 30 cents for the 6 subsequent years and a 40-cent minimum rate thereafter. But it allowed for the establishment of minimum industry rates between 30 and 40 cents by individual industry committee determinations. The 40-cent minimum was achieved by June 1944 throughout that part of American industry covered by the Fair Labor Standards Act.

In fact, during recent years the War Labor Board found that these rates had become obsolete. It defined the substandard rate as 50 cents on November 17, 1943. On February 26, 1945, it revised the minimum to 55 cents and declared that it was only a tentative rate in the development toward a higher level.

The present act is, therefore, a progressive move toward the adoption of a rate which is adequate to sustain American workers. As our economy is advancing, we are nearing the time when no American worker should be receiving a wage rate which dooms him to substandard wage conditions.

The American worker wasted many years of his life looking for nonexistent jobs during the years of the great depression.

The American worker produced mountains of materials to help in the war against fascism.

The American worker traded in his overalls for a uniform to fight for freedom on many foreign shores.

This American worker does not ask for great riches or inordinate luxuries.

He merely asks for the opportunity to raise his children as decent American citizens in healthy surroundings without the constant fear of want and the blight of poverty. He wants to get a little better acquainted with the much-vaunted American standard of living he reads so much about in the slick-paper magazines.

He asks for a decent job at decent wages.

The passage of these amendments to the Fair Labor Standards Act is an important step which will help the American worker achieve these modest aims.

The Congress of the United States cannot and must not deny him this elementary justice.

I. The Present Wage and Hour Law Is Obsolete

Persons favoring minimum wage legislation are in agreement with President Truman's conclusion that "the goal of a 40 cents minimum was inadequate when established. It has now become obsolete."

The 40-cent rate had been established as a bench mark in 1933. General Johnson first recommended a 45-cent minimum hourly rate and only receded to a 40-cent rate after its general voluntary acceptance by industry. The codes quickly followed that pattern. The basic wage minimum became 40 cents. Forty cents, or a higher minimum, was included in 338 codes for industries employing 55 percent of all codified employees. Most industries with higher than 40-cent rates were unionized industries. Only 14 codes for industries employing 5 percent of the employees had a basic minimum below 30 cents.

A. AIMS OF 1938 WAGE AND HOUR LAW ATTAINED

The same 40-cent minimum was adopted by the Fair Labor Standards Act as the necessary minimum. It prescribed periodic adjustments and arranged for the progressive attainment of this minimum by individual industries. The 25 cents was compulsory during the first year; 30 cents became mandatory during the second year. The industry committees raised the minima in individual industries through their recommendations.

The first industry affected by the 40 cents declaration was the full-fashioned hosiery industry on September 18, 1939. The last to be affected were the finance, insurance, real estate, motion picture, and miscellaneous industries and the communication utilities and miscellaneous transportation industries on July 17, 1944. Between these two dates these industries progressively achieved the 40-cent minimum (table I). It became universal one year prior to the compulsory date in 1945.

Table I.—*Number of employees covered by 40-cent minimum wage per year under wage and hour law*

Year	Number	Cumulative	Year	Number	Cumulative
1939	85,000	85,000	1942	2,883,000	4,613,000
1940	447,300	532,000	1943	9,534,400	14,147,400
1941	1,197,700	1,730,000	1944	6,275,000	20,422,400

The present 40-cent rate is, of course, out of date because it has been attained and exceeded. The Economic Branch of the Wage and Hour Division of the United States Department of Labor estimates that only 1,600,000 persons were affected by the 40-cent minimum at the time the 40-cent recommendations were made by the individual committees.

B. WAGES HAVE RISEN BEYOND PREVIOUS LEVELS

Since the operation of the wage-and-hour law, there have been significant increases in the wage schedules of American industry. They have pushed the wage levels beyond those contemplated by the wage-and-hour law. The general increase is significantly demonstrated by the average annual earnings per full-time employee in American private industries which rose from $1,216 in 1938 to $2,026 in 1943, the latest year for which such comprehensive data are available (Survey of Current Business, June 1945, p 21). The jump of 61 percent measures the change in the income level of the American worker. In terms of straight-time average hourly earnings for manufacturing industries, earnings have risen from 61.8 cents in July 1938 to 97.3 cents in June 1945, or a rise of 57.4 percent. From January 1941, which marks the date when calculations had been started, the urban wage rates have risen by reason of general wage changes, merit increases, individual wage adjustments and incentive earnings by some 32.4 percent (to April 1945). Wages are now being raised by significant percentages in part to compensate for the reduction in hours and to attain higher wage standards.

The minimum-wage legislation now on the statute books must be reoriented in terms more consonant with the current wage conditions. The first step

modestly taken in 1938 to provide a stop-gap for a crumbling wage structure and to lift the more backward sectors of American industry to some degree of stability at a relatively tolerable level must be succeeded by other steps more attuned to the wider aspirations of the day.

C. COST OF LIVING HAS JUMPED MARKEDLY FOR LOW-INCOME GROUPS

The cost of living has risen so sharply that the 40-cent minimum has truly become out of date. The most conservative estimates based on the Bureau of Labor Statistics' technique of pricing a fixed budget indicates that the rise in the price of consumer prices was by December 1943 about 28 percent above January 1941 levels for the moderate-income families in large cities, after giving due consideration to the corrections allowed by the Presidential Committee on the Cost of Living (Presidential Committee on the Cost of Living, report on the technical committee appointed by the chairman of the President's Committee on the Cost of Living, June 15, 1944, pp. 37–38). Subsequent increases in consumer prices raised the basic Bureau of Labor Statistics' consumer price index another 3.7 percent by June 1945. The total jump from January 1941 in the basic index has been 28 percent and allowances for downward bias and for limited representation of small cities would increase it to about 34 percent.

However, the impact of the increased prices on the low income groups has been more pronounced. The Bureau of Labor Statistics consumer price index does not measure this rise in the cost of the low income groups. The only really complete pricing is that reported by the Textile Workers Union of America's study on Substandard Conditions of Living, which found that there had been an approximate rise of 37.2 percent between 1935 and January 1944 on the basis of the same fixed budget comparison as employed by the Bureau of Labor Statistics. This may be considered to be approximately the same increase as from January 1941. The relative increase by June 1945 may be estimated at about 42 percent.

Some efforts have been made to correct the BLS index for the lower income group, but that procedure is highly unsatisfactory, as one should price the lower quality goods directly. The Bureau of Labor Statistics declares in its appraisal of the TWUA data that "there are no BLS figures to compare with those as most of the lowest quality goods priced for the official index of the cost of goods purchased by wage earners and clerical workers are somewhat higher quality than those specified in the emergency budget. The BLS price quotations do show, however, that changes in the lowest-quality goods priced for the index have been greater than price changes in the medium-quality goods which are also included in the index. Consequently, one would expect to find that the increase in the cost of this budget since 1935 would be greater than a budget providing goods of better quality which are customarily purchased by average families in the wage earner and clerical groups" (Monthly Labor Review, October 1944, p. 861).

These estimates in the rise of consumer prices do not include allowances for other factors entering into the cost of living which are not measured in the pricing of a fixed budget. The CIO had estimated the rise in the cost of living to be well over 45 percent when the Bureau's index of consumer prices showed some 24 percent.

These increases in consumer prices and the cost of living have made the old 40-cent-minimum obsolete. Under present price conditions, 65 cents an hour is practically equivalent to the 40 cents an hour in 1938. We are seeking a higher level of income than the one conceived by the stop-gap depression level of 1938.

D. THE WAR LABOR BOARD HAS FIXED HIGHER MINIMA

Fortunately, several forward steps already have been made prior to this consideration of the need for the revision of the wage and hour law. The National War Labor Board provided the mechanics for correcting substandard wage conditions. It was charged with the responsibility of eliminating substandards of living. In fact, the adjustments required to "eliminate substandards of living" were specifically permitted by the Executive orders governing the National War Labor Board. The Board declared on February 18, 1943, that "increases in wages and salary rates which do not bring such rates above 40 cents per hour may be made without the approval of the National War Labor Board." On March 11, 1943, it allowed its subsidiary agencies to approve wage adjustments up to 50 cents an hour to conform with the exemption granted in connection with the definition of substandard wage policies. On November 17, 1944, permission was granted to employers to raise wages to 50 cents per hour without Board's approval if no price requests were involved. Finally, the Board reconsidered its definition of the substandard wage level and on February 26, 1945, announced 55 cents per hour as the new minimum. On May 23, 1945, it further granted employers the right to raise wages to 55 cents per hour without Board approval if there were no price increases requested.

In this connection, it is interesting to report the statement made by William H. Davis, Chairman of the National War Labor Board, when the 55-cents-an-hour order was handed down. He declared that "all carefully developed budgetary studies show the need for a minimum hourly rate higher than we have ordered in this case, but the Board must use its best judgment as to the extent to which substandards of living in dispute cases can be corrected without creating unstable employment conditions. The Board's orders in these [textile] cases * * * are so reasonable that they could not be disruptive of employment resolutions or upsetting to competitive relationships" (National War Labor Board B–1963, released February 21, 1945). The soundness of this judgment is indicated by the fact that well over 90 percent of the industry have complied with this decision which directly affected only 54 companies. The War Labor Board established 55 cents after cautious determination that it was not the full answer. It was a conservative next step. In the face of a stabilized frozen wage structure operating under war conditions, when special caution was being exercised against creating undue increases in earning power, they felt that this conservative step was necessary.

E. AMERICAN PUBLIC LEADERS AND PEOPLE DEMAND REVISION OF THE WAGE AND HOUR LAW

The progress we have made beyond the limits set by the 1938 act are widely recognized. The President of the United States fully summarized this situation in describing the 40-cent line as obsolete. It was borne out of a depression when wages were low. It sprang from a desire for a wage floor which would stop a chaotic wage situation resulting from increased nonobservance of NRA wage standards. It was an effort to plug the depression of 1937–38 and to prevent it from becoming a debacle.

We now turn to the wage-and-hour law with new vision and aspirations. It must not merely be a floor to prevent a downward spiral, but it must provide a legislative base for the complete elimination of substandards of living. We now seek a minimum which will assure the "maintenance of the health, efficiency, and well being for workers." It is a strategic tool in our campaign for a sound full-employment economy. It is a means of implementing our goals and aspirations of an America free from want. We have pulled away from the rate of 40 cents conceived as a depression stop-gap and are now on the road to setting rates which guarantee adequate income. President Truman charged the Congress to rewrite the law by "substantially increasing the minimum wage specified therein to a level which will eliminate substandard conditions of living." Mr. John W. Snyder, Reconversion Director, spoke similarly on the challenge from "war to peace." He also declared it to be the administration's determination "to correct substandard pay scales." Mr. William Davis, as Director of Economic Stabilization, affirmatively declared in favor of 65 cents as a minimum wage (New York Times, June 21, 1945). The War Labor Board has recognized the tentativeness of its own 55-cent minimum.

The American people join in declaring that the 40-cent level is obsolete and must be supplanted by a more realistic level attuned to our new aspirations of a life free from want. The Gallup poll reported, on August 18, 1945, that 56 percent favored "making the minimum wage 65 cents an hour for all workers in business and industry"; 32 percent opposed, and 12 percent had no opinion. Wage and salaried workers who could appreciate the significance of this legislation in their own daily lives echoed this sentiment even more strongly. Among them, 63 percent favored the rate; 25 percent opposed it, and 12 percent had no opinion. Among employers and self-employed, the proportion favoring 65 cents was 48 percent; those opposing it constituted 41 percent, and 11 percent had no opinion. The Gallup poll reports that a large majority of these persons would, if they "were the ones to decide," set the minimum wage per hour at 65 cents. On analysis, it appears the wage and salary groups proposed a minimum rate of 75 cents, and the employers, a rate of 60 cents per hour.

The Iowa poll supports this finding.

We need a new wage level. The people want it. They deem it to be essential to a sound postwar economy.

A country with a national income of $64 billion set a 40-cent minimum wage; a country with a national income of $160.5 billion can set a 65 cents minimum wage. The minimum wage levels set during a depression must be supplanted by new and higher minima.

II. Low Wages: An Unsound Basis for Postwar Economy

A. Low wages spell substandard citizens

We cannot erect a sound postwar economy on low wages. They mean low life expectancy. In 1944, the industrial worker was expected to live 0.64 year less than the general citizen. We have a weaker industrial population because of the effects of low income and industrial employment. Fortunately, the rising wage level and improved working conditions has cut down the disparity. At the beginning of the century, 1911, the difference was 4.86 years and now it is 0.64. Further improvement in wages and working conditions will remove this difference entirely.

1. Low incomes mean malnutrition and low food expenditures.—Government studies indicate that families earning less than $500 per year spend about $1.25 per person per week on food; families with $500 to $999 spend $1.75 per person per week; families with $1,000 to $1,499 spend $2.25 per person per week; families with incomes of $1,500 to $1,999 spend $2.75 per person per week. At the time of this study in 1935, 6.72 percent of the families with expenditures of $1.25 and $1.87 per person per week for food could not buy a fair diet; 44 percent of the families spending between $2.50 and $3.12 per person per week could not buy a fair diet. The National Nutritional Conference for Defense in 1941 concluded that "adequacy of diet varies roughly with the level of family income." In 1942, the Bureau of Human Nutrition of the Department of Agriculture found that families in cities required about $3.50 per person per week and families on farms required $2.50 to provide a satisfactory diet. The minimum income for this standard for city families was $1,500 to $1,999 (Family Food Consumption in the United States, Department of Agriculture, Publication No. 550, p. 25). One of the primary prerequisites to the elimination of these nutritional deficiencies which are wide-spread throughout the United States is the raising of the incomes of American workers.

2. Low incomes mean more illness.—These conditions generally result in more workers being disabled than other sectors of the community. They suffer from more physical disabilities, longer illnesses, and less adequate medical care. The findings of the National Health Survey indicated that the percentage of persons disabled declines with rising income. They are highest in the lowest income groups. While the rate was 6.6 percent among persons on relief, and 4.4 percent among families with incomes of less than $1,000, it was lower in the higher income groups (table III). The disabling illnesses are more severe among the lower income groups (Table IV). The illness rate was 16.2 among relief families and 12.2 among families with incomes of $3,000 or more. Chronic illnesses were found among 12.6 percent of the relief families, 9.6 percent of families with less than $1,000 income, and 4.5 percent of families with $3,000 or more income.

It is equally significant that the workers with these longer, disabling illnesses are less capable of getting adequate medical attention. The proportion of illnesses receiving physicians' care is lower among the lower income groups than the higher: 70 percent among relief families and 72 percent among families with less than $1,000 income as compared with 84 percent among families earning $5,000 or more. Hospital care and nursing care is lower among these families. The only offset is the visits from charitable nursing services. This inadequate care makes disability particularly dangerous (table V).

3. Low income means less medical care.—Surveys of the expenditure of income shows that in 1941, the annual medical care for families earning less than $1,000 was well under $50 as compared with $236 for families with incomes of $5,000 to $10,000 (table VI).

Low-income workers cannot afford the necessary medical attention. The results are most significant: longer disabling illnesses and more widespread physical and mental defects. Low-income persons are not rehabilitated. Their work life, if not their actual life span, is shortened. Doctors do not have any incentive to locate in low-income areas. There is no encouragement for the construction of adequate hospital facilities. States with the lowest per capita incomes have the smallest proportion of beds per 1,000 of the population and the lowest number of doctors, for the population. The high-income State of Nevada had 5.3 beds per 1,000 persons whereas the State with the lowest per capita income, Mississippi, had only 1.5 beds for 1,000 persons. A doctor in Nevada had on the average only 1,199 persons to tend, whereas in Mississippi, he had to cover some 2,113 persons. Greater income among the workers and the elimination of substandard wage conditions would greatly expedite the correction of the deplorable medical situation within this country. It would not completely solve the problem, but it would establish a sounder economic footing for the spontaneous expansion of medical facilities and for the increase in the number of medical practitioners who are so sorely needed to provide adequate medical attention for our people (table VII).

4. Low incomes mean higher death rate.—From such diseases as whooping cough, malaria, and tuberculosis the mortality rates tend to be higher in the States with the lowest incomes. Connecticut with the highest per capita income for the year 1943, showed the lowest mortality rate from whooping cough. The highest death rates from this cause were in Arizona and New Mexico which ranked 37 and 41 respectively from the top as to per capita income. The same relationship is reflected in the death rate for malaria. The death rate for the high-income States were small or nonexistent, whereas there were significant mortality rates for all the States ranked 42 or lower in per capita income. Again low income States tend to produce higher mortality rates from tuberculosis though high rates frequently result because persons suffering from the disease or susceptible to it are attracted to the particular State. Nevertheless, the low-income States show a relatively higher mortality rate from tuberculosis (table VIII).

Low incomes, poor facilities, and inadequate care have taken an unfortunate human toll. The correction of substandard wages could do much to relieve these conditions and establish a sound health basis for America's men, women, and children.

5. Low income means limited educational facilities.—The States with the lowest per capita income spend the least for education (table XII). These States with low per capita income have the highest proportion of the population with no schooling and the lowest median years of schooling completed (table XIII).

The United States Chamber of Commerce committee on education recently published an impressive study which concluded that "education is an essential instrument through which commerce, industry, and agriculture can be expanded in rising degree." It observes that "the cost of adequate education is an investment that local citizens and business can well afford in increased measure when related step by step to the improvement of local economic conditions." But unfortunately the areas and communities where workers are receiving low incomes are those least able to finance adequate educational facilities. These low-income areas have the highest birth rates and are the cradles for many other regions. The children born in such communities and in such families necessarily are handicapped and thereby also handicap the communities and areas in which they later reside. Our American society is not offering those persons equal opportunity. The United States Chamber of Commerce committee reports that the "higher incomes generally are received by persons of higher education." (United States Chamber of Commerce committee on education. An Investment in People, Washington, 1944.) Unfortunately, the low-income groups cannot have the higher education. This vicious cycle must be broken if we are really to assure Americans free and equal opportunity to develop within this country. The elimination of substandard wage conditions will contribute toward this end. They will immediately eliminate substandard conditions and establish the sound base for individual development.

Low incomes resulting from low wages produce substandard citizens. In a country of our riches, we cannot permit citizens to grow up who cannot measure up to the full level of our opportunities. Substandard wages doom them to be substandard citizens.

6. Low incomes mean poor housing.—Low incomes cause overcrowding. The 1935–36 health survey showed that 34.2 percent of the relief families had more than one person in a room and 17 percent of the families with less than $1,000

also showed crowding. Only 7.7 percent of the families with $2,000 or more income had more than one person per room (table IX).

The elimination of substandard wages would help significantly to rehouse the American people. It would help to eliminate the un-American living conditions under which so many of our people are forced to exist, conditions which are cancerous, debilitate our people, deplete our wealth, and create the sore social problems which fester in the midst of poverty.

Low incomes mean low rents. Low rents spell substandard housing, and substandard housing breeds disease, crime, delinquency, and substandard citizens.

The 1940 census reveals that 32.8 percent of the nonfarm families with incomes of less than $500 lived in houses needing major repairs; 21 percent of the homes of families with incomes of $500 to $1,000 needed major repairs. Only 5.9 percent of the homes of families with incomes of $2,000 to $3,000 needed major repairs (table X).

The low-income worker cannot afford good housing. He requires subsidies and public housing to get good housing. One direct answer to this problem that should go hand in hand with an over-all program for housing is to increase the incomes of the workers of this country so they can afford to rent better apartments and homes, thus stimulating construction above the subsidy level. During recent hearings before the Senate Postwar Economic Policy and Planning Committee, Mr. Blanford, Administrator of the National Housing Agency, presented several studies which showed that the slum and blighted areas where the low-income groups must live required higher per capita public expenditures than the higher rental areas. He concludes that "the cancerous effect that substandard housing areas have upon the city's fiscal well-being is augmented by tax delinquencies. Not only do the substandard areas absorb a disproportionate share of the city budget, but in addition they show a higher rate of tax delinquency than other resident districts. This is due partly to the fact that deteriorated housing tends to become occupied by families with lower rent-paying ability or to remain vacant. The owners, in an attempt to maintain income, postpone repairs and improvement. This increases the speed of depreciation; and since tax assessments tend to decline less rapidly than values, the depreciation proceeds at a faster rate than the tax burden declines." He further added that "bad housing, poor nutrition, job instability, low incomes, and inadequate medical care frequently coincide." (United States, 79th Cong., 1st sess., Senate Special Committee on Postwar Economic Policy and Planning, S. Res. 102. Subcommittee on Housing and Urban Redevelopment. Pt. 6, p. 1235, Jan. 9, 1945.)

The low incomes reduce the community's and State's tax capacity. As a result their facilities lag behind other sectors of the country. Their taxable capacity is limited. The revenue is correspondingly low (table XI). They cannot, however, furnish the protection and opportunities which the higher-income areas provide.

B. LOW WAGES INCREASE PUBLIC EXPENDITURES AND INDUSTRIAL COSTS

The price which the community and the Nation pays by tolerating low incomes is incalculable. It far exceeds the original cost of decent wages.

Municipal and State governments know that low-income areas require greater per capita expenditures on public services. Present public assistance and educational aid policies were founded on the principle of extending grants to the areas which do not enjoy equal economic and income resources. The Federal grants-in-aid are similarly built upon the same principle. In 1944–45, the total Federal outlay as aids to States were $396,000,000 for old-age assistance, aid to dependent children, and aid to the blind. Present regulations prevent the effective development of the principle of supplementation to aid the less fortunate States. Nevertheless, it is most helpful in those States which have the lowest benefits within their own bounds. The same principle is being followed in the aid granted to States for the construction of roads. Current discussions relating to educational and medical hospital facilities also are premised on the same principle; namely that the States which have the lower per capita income need the greatest outside assistance to bring them to current standards of adequacy. We have a national responsibility that the low personal and governmental incomes shall not handicap our citizens. The present proposals for Federal grants-in-aid are designed to accomplish this purpose. These grants, whether given by the Federal Government to the States, or by the State governments to the specific localities within the State are truly public subsidies to industries which pay substandard wages. The full charge of citizenship in our

American democracy should be borne by the industry itself. A satisfactory minimum wage would contribute greatly to this end.

These direct costs are exceeded by the losses from the limited vigor and development of these workers who receive low wages. Workers who suffer from malnutrition or inadequate nutrition are poor producers. Workers who live on substandard levels tend to become greater absentee risks. Persons in poor health and afflicted by fanacial concerns are persons who become accident risks. Low wages minimize the interest in the job. It is a maximum of American production that high wages produce a better worker and a more productive industrial citizen. It is difficult to estimate the loss in American output resulting from low wages. But one thing is certain, the direct and indirect costs of low wages are many times greater than the cost of raising wages to 65 cents.

C. LOW WAGES A THREAT TO THE FUTURE OF AMERICAN POPULATION AND FAMILY WELL-BEING

Low-incomes result in substandard citizens because their physcial and mental opportunities are not developed and because they are handicapped by the conditions under which they must live. One of the most fatal effects of low income is that it stigmatizes and retards our new generations with the disadvantages of poverty.

Every study of our population indicates that the income of the families with children tends to be particularly inadequate despite the supplementary earnings of two or more members of the family. The 1940 census reveals that 47.8 percent of the children in nonfarm families with only salary or wage incomes were to be found in families with incomes of less than $300 per year per family unit and that 88.7 percent of the American children were in American families where the average income was under $750 (table XIV). (A family income unit assigns a full unit value to an adult and a half unit to a child which attempts to approximate relative consumption needs. See T. J. Woofter, Children and Family Income Social Security Bulletin, January 1945, p. 6.)

If these income data could be more definitely appraised in terms of the income of the head of the family the income per family unit would be much lower. A survey of the South indicates that a considerable number of the families have to have more than one member of the family working in order to even secure the above family unit income. In 1940, 31.6 percent of the southern white and 42.4 percent of the southern nonwhite families had two or more wage earners. A further analysis indicates that while 57.4 percent of the family income was derived from the head of the family whether male or female, and 10 percent from the wife of the head of the family, 32.6 percent came from the earnings of the other members of the family, generally children under 18 years of age. Despite these supplementary incomes, the family unit income definitely declines with the increase in the size of the family. Among nonfarm families in the United States in 1940, the median family unit income for families without children was $592; for families with one child $508; for families with two children, $429; and for families with three or more children, $281. The normal family which is merely maintaining the population growth is definitely handicapped and unable to attain the normal opportunities because of inadequate family income, despite the combined efforts of all members of the family.

Present low wages have numerous blighting effects, most of which could hardly be enumerated or statistically measured.

Our children are our greatest resource, yet American families with children are not receiving enough income for healthy living. The American family cannot even maintain its meager level of living through the support of the head of the household. He must pressure other members of the family into working. Wives and children are required to work to supplement the meager earnings of the heads of the family. The consequences are extremely serious. The cost of home maintenance rises, child delinquency increases; the home loses the domesticity and the spirit contributed by a mother who remains at home and runs the household and raises the children.

Finally, the present inadequate wage levels have had a considerable effect on the size of our population. Recent studies show that the number of children in families where the age of the head of the family is between 25 to 30 years, declines definitely with rising income up to "the $3,000 level at which point there is a pronounced recovery. In the middle income range from $1,000 to $3,000 it is probable that we find most of the young couples who are ambitious to im-

prove their level of living before adding children to the family. Undoubtedly, most of them are justifiedly optimistic that the income of the male breadwinner will increase at a later age. It is also in this group that many working wives are concentrated, adding their earnings to the family incomes of small families and postponing child rearing" (T. J. Woofer, Jr., Size of Family in Relation to Family Income and Age of Family Head, American Sociological Review, December 1944, p. 681.)

The country can contribute most substantially to the proper development of our population policy through the establishment of adequate minimum wages which would insure greater willingness on the part of young families to undertake their family responsibilities.

D. LOW INCOME STATES HAVE THE GREATEST DRAFTEE REJECTION RATES

The war offered a direct measure of this loss. The ravages are tellingly reflected in the high rejection rates in the States with low per capita income. We combed every State for men fit for service. The failings of our economic and social organization are summarized in the rejection rates. During the period from February 1943 through August 1943, the rejection rate was 39.3 percent of every 100 registrants. The analysis shows that the States with the lowest per capita income tend to be those with the higher rejection rates. North Carolina had the highest rejection rate of all States in the Union and it was forty-fourth in the list of income according to per capita income. South Carolina and Arkansas had the next highest rejection rate and they were at the bottom of the list of States according to per capita income (table XV). Further surveys by the selective service show that the rejection rates when analyzed by occupation were highest for domestic service workers, emergency workers and unemployed, and farm laborers and foremen and general laborers. (United States Selective Service System, Physical Examinations of Selective Service Registrants During War Time. Medical Statistics Bulletin No. 3, Washington 1944: p. 120.)

The proposed bill is a step in our national defense problem; a contribution to the reduction of human wastage, a method of reducing public expenditures for aiding the victims of poverty and protecting the community against the blights caused by low wages. The price of a sound, healthy, happy American is low.

E. LOW WAGES SPELL DEPRESSED AND UNDERDEVELOPED AREAS

The low-wage areas are those in which per capita income has been low. The low total income has retarded the development of the area. Without a ready market for goods, there has been little encouragement to local enterprise or industry. The low-income States have been backward in the number of industries or proportion of workers engaged in industrial or commercial pursuits. Low incomes have meant low retail sales (table XVI). The States with the highest per capita income have been those with the highest retail sales; and the reverse has been equally true. For example, the lowest per capita income rate, in Mississippi, also has the lower per capita retail sales.

Such areas must depend upon outside markets and general capital for their industrialization. Unfortunately, such moves make for so-called dependent economies. The southern economy was built upon such an insecure base, "Fully two-thirds of the total value of manufacturing in the region, and in some States more nearly three-fourths, are produced by plants which are parts of widespread systems of national and international concerns." This same survey continues that "the multi-establishment companies of the major industrial centers quite frequently find it to their advantage to have one or more of their producing units located in these Southeastern States, and where this occurs, the southeastern "branch" often performs only the preliminary processing, shipping the bulk products to be finished by other plants in the same organization outside this region. Some of the finished products may return to this region as consumer goods, many uncommonly under a "list" or "administered price." (Percent of value of product which belongs to units: Alabama, 77.1 percent; Florida, 50.1 percent; Georgia, 62.1 percent; North Carolina, 74.1 percent; South Carolina, 61.3 percent, and Tennessee, 68.5 percent. National Resources Planning Board, Regional Planning, pt. XI, the Southeast Washington 1942, p. 133-134.)

The same study indicates the following: "The presence of these branch plants in the regional manufacturing structure has major implications besides that of semifinished production. Historically, they were established when the need for new and diverse industries became evident in the Southeast. The easiest

way toward pay roll—if not toward profits—was to import industry. The large concerns of the Northeast had the necessary capital, skills, and marketing outlets; various inducements were offered to them to put plants in the Southeast. This proclivity on the part of southeastern promotors still lingers; it plays its part in diverting entrepreneurial energy away from the establishment and financing of new 'home' manufacturing industries. The importation has resulted in the forfeiture of much of the region's power of economic self-determination. The final result has been the negative effect upon the financial structure of the region. The branch plants create pay roll, but their net earnings, like their products, are generally exported."

This process will continue for some time unless the various regions of this country demand that the industries pay wages which will insure decent standards of living. Such purchasing power can truly form the basis for a secure economy and furnish new stimulation to original industry. Such local buying power becomes the real basis for the appearance and the development of local enterprises. Without adequate wages, such outside industrial enterprises tend to deplete the local economy, depress the people's ambitions, and frustrate efforts at local development. The regional problems of our national economy are derived from inadequate buying power. A minimum wage floor, such as we are considering, will overcome this defect.

F. LOW WAGES IMPEDE POSTWAR RECOVERY

During this war, manpower in the low-wage areas was extensively tapped by war industries both within and outside of the respective areas. People moved to new locations despite the many sacrifices and discomforts attendant upon living in the congested war-production areas. The movement was truly unprecedented. Some 5,300,000 civilians became migrants. About half of them moved outside of their respective States. They made up the rank and file of the new industrial army which produced the tools of war. Job opportunities, relatively higher wage rates, and frequently more advanced working conditions were enough to get workers to move freely and willingly to these new areas. While they knew there were hardships ahead, they did the job in order to help win the war and because the rates of pay were markedly higher than the rates to which they had been accustomed.

The low-wage industries and areas suffered marked losses of manpower during the war. These areas had been labor surplus regions. Now they suffered from labor shortages. They could not recruit labor; workers looked askance upon these employers who tardily kept up with the new level of rates by offering belated increases. Production suffered. These low-wage industries struggled to meet military schedules but failed.

The Government had to intercede to correct the wage levels in order to make the jobs more attractive. Obsolete wage schedules were cast aside in the interest of production in the lumber industry. Specific wage changes were made in the foundry industry to make these heavy jobs attractive. The slow bureaucratic process finally improved the attractiveness of the cotton textile jobs by raising them to a 55-cent minimum wage level. The Government agencies took these steps to improve the production picture by correcting wage levels only after they and the employers had tried many other tools more to the immediate liking of the employers. First there were price increases; then there were orders for preferential recruitment of labor for these industries; then special propaganda drives were initiated, but they all failed to increase production.

In fact, management in the textile industry secured price increases from the OPA on the contention that they could not possibly meet the proposed production schedules unless they were adequately compensated. But after the prices increased, they applied to the War Production Board for reductions in their production schedule as they could not meet the proposed schedule even with the price increase because they could not recruit labor.

Higher wages in these industries tended to moderate the discontent and to stabilize the employment situation. The substandard wage industries created the real manpower problems during the war period. Industries which maintained regular American wages did not face these challenges.

The same problems are being experienced during the reconversion period. There must be a substantial reshuffling of the people to the older industries. They must move from the war industries to peacetime pursuits. They must go to new employments; to new communities; to new plants, and to new employers. This reconversion process is to be a very costly one from the point of view of

industry, the Nation and the people. More than half of the war workers, it is estimated, will have to change their employment.

In our free economy, the most active stimulant to movement is another attractive opportunity. Such opportunities must be present. It is not enough to declare, as the director of one State agency reported, that there are jobs for people. Men who have become accustomed to incomes of $65 to $100 per week and women who have become accustomed to a full man's wage are not to be attracted by the niggardly prewar wages in the industries from which they had fled. Full reconversion demands that the industrial wage levels in these older industries shall also be converted. They must be raised to levels more nearly commensurate with the wage trends established in the newer American industries.

Men and women will not freely move from industrial areas of high wages to areas where wages have been chronically low. Already manpower directors have announced that in the midst of the wholesale layoffs, there are thousands of jobs wanting for takers. They will continue to remain vacant while the rates on these jobs remain low. Only poverty and desperation will force many workers to sink back to the low-wage industries from which they had left. The American Government does not want to force them to undergo that type of reconversion. The profits of industry have been guaranteed through carry-backs and special funds and generous allowances. The farmer's prices have been guaranteed. The worker's wage levels attained in war industries must also be guaranteed in the reconversion process. The present proposal will greatly aid in achieving that goal. A fair wage level, such as is proposed in this bill, will facilitate the redistribution of labor, aid in the refillment of the manpower requirements of new industries, and ease the burdens of the over-populated areas which will not be able to reabsorb the war workers.

G. LOW WAGES WILL FRUSTRATE EFFORTS AT AN ECONOMY OF FULL EMPLOYMENT

Moving through the halls of Congress is the full employment act of 1945. It has been described as a basic necessity for America if we are to have good health, happy families, high standards of behavior, and elimination of group conflict. Full employment in a free competitive economy, is the real road to freedom—freedom for the individual. Representative Outland stressed that one of the three phases of full employment is production of worth-while goods, services, and employment with sufficient remuneration for the people of the country to enjoy a rising standard of living.

We need to implement our declarations and furnish tools for the technique. The President of the United States will be empowered to survey our economy and offer suggestions for realizing the goal. We must realize ever-increasing standards of living in order to absorb the products of a full employment economy. We have always had gaps in our economy which have been fatal. Whatever the particular explanation for our previous depressions, they have resolved themselves to a contracting market. Purchasing power must be developed and sustained. What we produce must be sold. There must be buyers.

The present bill is indispensable to the successful realization of the purposes of the full employment bill. Students of the problem of full employment have considered alternative lines of conduct. They have labeled them "the Government," "business," and the "standard of living" models. The business model was founded upon the assumption that business could and would make more investment, an increase from 22 to 28.3 billion dollars in the projection made by the National Planning Association. This proposal has been found impractical, as it presumed an excessive rate of expansion of new capacity for which no likely need will occur. The alternative is a rise in the basic consumer spending power (standard-of-living model); or the third alternative, governmental expenditures. The standard-of-living model truly furnished the best model for public policy.

The standard-of-living model projected by the National Planning Association indicated that on a national income of 170 billion dollars, it would allocate a total of 118.4 billion dollars to direct consumption of foods and services to balance our economy. With a total employed labor force of 60,000,000 persons, the average annual consumption per person would be $1,970 on direct services and goods aside from total expenditures by Government and business (National Planning Association, National Budgets for Full Employment, Washington, 1945, p. 44). To attain this goal, a total payment of 145.9 billion dollars must be distributed to individuals, or $2,430 per employed person engaged on a 40-hour working-week basis, on the basis of 1941 prices. This compares with a total payment of

$155,000,000,000 to individuals in 1944, but direct expenditures by individuals on goods and services of only $76,000,000,000, or $1,470 per civilian worker (table XVII). A full employment economy depends, therefore, on a marked rise in consumer expenditures through higher earnings to push expenditures from $1,470 to $2,511 (converting $1,970 to equivalent 1944 dollar values).

We are losing ground in our fight for full employment. We must act immediately. Already, the national income is dropping. The reconversion from a war economy to a peace economy had reduced our national income from a rate of $165,000,000,000 for the first half of 1945 to a rate of $145,000,000,000 for the second half. Mr. Wallace, in releasing the estimates of the United States Department of Commerce, declared that "the declining income payments will be largely a decline in the volume of wages paid in the manufacturing industries."

We had been forewarned that these drops would take place. The only true solution is a rise in labor income. Three factors will reduce labor income, even if no changes occur in wage rates or employment. First, there is the reduction of weekly hours, approximately 7 per week in manufacturing industries and substantial reductions in nonmanufacturing industries and in government. The reduction in hours would effect a decrease in the total pay roll by some 13.3 percent, or $13,000,000. The shift from employment in relatively higher-paid war industries to lower-paid consumer industries would cut the total annual wage and salary income by 5.5 billion dollars, or 5.6 percent. Premium pay for late shift work will decline through the reduction of second and third shifts. This will further contract the 1944 wage and salary pay roll by one-half billion dollars. The combined effect of these losses are estimated by the United States Bureau of Labor Statistics to amount to 16.7 billion dollars, or about $400 per worker per year. The estimated annual wage and salary income for 1944 was 98.1 billion dollars. It would, under these peacetime conditions, be reduced to 81.4 billion dollars. This total of wages and salaries would normally not permit the maintenance of a full employment economy. Such reductions would merely start the downward spiral which must end in a depression or wholesale Government expenditures. The national labor income must be increased to at least the level from which it started to establish an economy where the products of the industry are currently absorbed.

The United States Department of Commerce has projected this problem to the fore after careful study (table XVIII). Its projections are built on 1944 data, but the conclusions are equally applicable to the present. In projecting the conditions which would arise with the end of the war, it assumed a national income of $153,000,000,000 based on the experience of the first half of 1944. This income would be reduced by $31,000,000 due to various losses resulting from the decline in overtime, the demobilization of the servicemen, and changes to lower-paid jobs omitting the losses in income due to down-grading, elimination of double jobs, higher incentive earnings, and similar factors. It also considered the fact that some soldiers would be coming back to work and others would be receiving veterans' payments and unemployed would be getting compensation. The net consumers' buying power would, therefore, be $130,000,000,000. Taxes and normal savings would further reduce consumer buying power by some $25,000,000,000. Under these conditions, the United States Department of Commerce estimates that private industry would be producing a total of $114,000,000,000 worth of goods for which consumers will only have $105,000,000,000. A shortage of some nine to eleven billion dollars in buying power would thereby be created. This shortage must be offset to overcome the deflationary factors inherent in our economy. This deficiency must be made up by more consumer buying power. More consumer buying power can only come from higher wages.

Our peacetime economy, moreover, requires an even higher national salary and wage pay roll than that attained during our war period. Without the Government's buying power, the economy will depend upon the consumer. He must have the wherewithall to buy. It must balance industry's capacity to produce. It must also be larger in order to prevent the backing up of excessive savings in our economy.

We cannot rely on either foreign trade or wartime savings to sustain full employment. We depended upon foreign trade in the years immediately after the last war, and we experienced the debacle of 1929–33. The early high levels of employment were succeeded by very unfortunate years of unemployment. Foreign trade can be sustained for years on loans, and we shall have to make them, but we also have to be prepared for years when they are to be repaid. Only a high

consumption economy which is prepared, to absorb our buying power abroad in higher standard of living in this country can sustain an economy receiving large repayments on investments or loans abroad. We must prepare our economy through higher standards of living and higher wages.

We must forewarn the American people against relying upon wartime savings. They have been huge, but they have not been accumulated in the hands of those who spend. In December 1944 the liquid asset holdings of business and individuals were estimated at 193.6 billion dollars in comparison to 71.6 billion dollars in December 1940. Business holdings had risen from 20.3 billion dollars to 66 billion dollars. Personal holdings for other than trust funds had risen from 46.7 billion dollars to 114.9 billion dollars. But the latter included the holdings of farmers and professional persons. A substantial proportion of these increases belong to these latter groups.

A survey of the holdings of the Federal debt points out that on October 31, 1944, $49,000,000,000 of a total of $210,000,000,000 was held by individuals, including partnerships. This survey adds that "both pay-roll deduction data and size of bond figures indicate that over 80 percent of individual's holdings are in the hands of upper-income persons" (Business Week, February 24, 1945, p. 124).

A special study of liquid assets by the United States Department of Agricultural Economics on the distribution of liquid assets in Birmingham, Ala., and Douglas County, Ill., arrives at the conclusion that "1.9 percent of the people have no liquid assets whatsoever. Of those who hold liquid assets, 10 percent—the 10 percent who individually hold the largest amounts—own 60 percent in Birmingham and 53 percent in Douglas County of the aggregate personal liquid assets." This proportion of people without liquid assets constitute a substantial proportion of the lowest-income groups. "The size of the median holdings increase at a much greater rate than does income." Of the various types of liquid assets, low-income people hold demand deposits least frequently and in the smallest amounts. Even in war bonds, however, people in the higher-income brackets own much larger amounts in relation to their incomes than do people in the lower brackets.

As for the effect of these assets on postwar demand, we must realize that "the owners of time deposits and war bonds, for the most part, regard luxury expenditures as inappropriate uses for these assets. They are more willing to consider time deposits and war bonds for the purchase of such permanent assets as a home or a farm" (U. S. Department of Agriculture, Bureau of Agricultural Economics, The Distribution of Liquid Assets, Study 113-114, June 11, 1945). The liquid assets are in the hands of the higher-income groups and not in the hands of the workers. These will not be generally used for luxury purchases. We cannot rely on them for our postwar recovery. We must seek a sounder base.

A full employment program cannot be built upon the past. The National Planning Association concluded as a result of its studies that "past relationships will not bring nor maintain the condition we have described as full employment * * * (and) changes in our past arrangements are, therefore, necessary." Its studies resulted in the considerations of the higher standard-of-living model of National Budgets as the only truly practical alternative to a Government model as a basis for full employment. It means a higher income in the hands of the working population and a high proportion of our national income devoted to direct consumption of goods and services (70 percent) and a high distribution of our national income to individuals (80 percent). Higher wages constitute the only sound basis. The present bill advances minimum rates to a base which will provide a sounder underpinning for our national economy.

H. LOW WAGES—NEGATION OF THE WAR'S OBJECTIVES

The war has had concrete meaning to the soldier and to the worker. First, it was a crusade against want and directed to the attainment of the four freedoms. There has been some concrete tests established of adequacy. The soldier's pay and allotment have definitely placed a floor for the American economic system. The returning soldier does not expect that economic conditions on his return will depress his condition below those prescribed for the soldier in action. It is a moral obligation on which we cannot welch. We must definitely meet his expectations.

The soldier's allotment prescribed the following standards of monthly benefits:

	Monthly benefit
Wife and—	
No child	$50
1 child	80
Each additional child	20
No wife but—	
1 child	42
Each additional child	20
Divorced wife but—	
No child	(1)
1 child	72
Each additional child	20

[1] Up to $42.

In a family of a wife and two children, the soldier's allotment would be $100. In addition to which, the private receives a cash income of $28 per month and full necessities of life, including food, clothing, shelter, and other provisions. The actual cash income for the above family of $128 is, therefore, a minimum which should be considered in the development of wage floors for the American people. The soldier's sacrifices may best be rewarded by these proposed wage floors.

The industrial soldier has also secured high wages. He applied himself to the tasks of industrial output of war goods. He congregated in the war centers and suffered from the extreme deprivations resulting from the hasty construction of new plants. The crying needs were so great that the President appointed a committee for congested production areas. This committee designated some 15 areas as congested. It sought to relieve this congestion by emergency methods. The work of this committee, and similar efforts of many communities, indicate the degree of sacrifice made by these pople. They did work hard and long hours. They received slightly higher rates of pay than had been received in the lower-paid industries. They sacrificed themselves for the country. They, too, also hope that their efforts have not been in vain. They, too, also hope that they will not be forced back to poverty and low wages. Many came from low-wage areas. They do not wish to return to them if they remain low-wage areas. We cannot disappoint these industrial soldiers.

We must be particularly cautious in our solution of our wage and postwar economic problems. We must not leave an aura of longing for the good days prevailing during the war. We must not leave a deeply rooted feeling that war is the only solution for our economic problems. Full employment and decent living conditions must also be established during our present peacetime economy.

The return to peace has been welcome. It has meant the return of many men from no-man's land. For workers who have become accustomed to decent incomes, will it mean the return to the low-wage industries? We must not permit these standards attained during recent years to be depressed. There is only one guaranty, namely, the present minimum wage legislation which shall place a floor under our wage structure.

Low wages will not only mean depressing standards, frustration of our hopes for full employment, substandard citizens, and high costs for our Federal and State governments but also underutilization of our resources. Low wages are invitations to waste of our natural and our human resources.

I. LOW WAGES FOSTER DESTRUCTIVE COMPETITION AT THE EXPENSE OF WORKERS

Minimum-wage legislation and the original wage-and-hour law was conceived as a floor to prevent destructive competition at the expense of workers. Our present bill is conceived as a means of attaining our broader goals and preventing the low-wage industries from tearing down the comparatively higher standards developed during the last few years.

All minimum-wage legislation will prevent destructive competition, and the present one will. The wage-stabilization program is intended to prevent all wage reductions during the reconversion period. The present bill will constitute substantial support for this objective.

The 1938 wage-and-hour bill had definite unfortunate chapters of wage cutting and industrial dislocation before it. Immediately succeeding the demands of the NRA, a wave of reductions began. A survey of 3,507 companies holding Government contracts showed that 439, employing 137,650 employees, were not conform-

ing to the hours provisions; 176 companies, employing 41,046, were not conforming to the wage provisions; 777 companies, employing 210,834 employees, were not conforming on either wages or hours; 1,448 firms with 405,373 employees were not conforming with NRA standards. These departures were greatest in the rubber products; forest products; transportation equipment, air, land, and water; miscellaneous and textile industries (Monthly Labor Review, April 1936, p. 939).

A special committee was appointed to investigate these departures, and they found that in 33 out of 44 industries which they surveyed more than half of the establishments reported complete observances of the wage-and-hour provisions of the codes. But serious violations occurred in such industries as coton garment, electrical, manufacturing, retail trade, and certain branches of the shipbuilding and ship repairing and pencil industries (Monthly Labor Review, May 1936, p. 1237).

During the hearings on the 1937 bill, Dr. Isador Lubin, Commissioner of Labor Statistics, extensively surveyed the varied information pointing to the need of a wage-stabilization program. He declared in favor of the legislation "to permit and protect the functioning of the competitive system as we know it in this country * * * (This) system must give to every business enterprise an equal opportunity in the struggle for existence, and it is only this kind of competitive system which has any claim to existence." He pointed out that without such a protective provision as contained within the proposed law, "we would have a chaotic system in which the employer with high standards has too often been forced by unscrupulous competitors to adopt policies detrimental to his workers, his industry, and society as a whole. The plane of business morals has thus been forced far below that of the majority who comprise the rank and file of business and industry."

It is well to review his summary of the studies made of the effect of the elimination of the NRA standards. He pointed out that the establishments which increased their hours most usually fell below the average for hourly earnings. "The plants that were paying the lower wages were the most prone to increase their hours, thus forcing their workers to depend upon a longer workweek rather than on wage rates for maintaining their weekly income * * * gains in business as measured by the man-hours of employment in individual establishments were greatest in the establishments that lowered their wages the most." These conclusions are based upon summary studies of the cotton-garment, silk and rayon, cotton textile, hardware, sawmill, brick, and tile industries. He concluded that "we cannot depend upon voluntary action to support a minimum wage" (hearing on Fair Labor Standards Act of 1937, June 7, 1937, p. 309).

Similar serious considerations now exist. The National War Labor Board has established an extensive series of minimum job rates for various parts of the country and areas. These are known as bracket rates. They are most extensive and cover the widest variety of industry. It has established common-labor rates, for example, in various areas and regions. The significant fact is that in region I, which includes the New England area, 8 of the 14 common-labor rates are 65 cents or more. The lowest is 55 cents, and many are 60 cents. In region II, which includes New York State and northern New Jersey, the common-labor bracket rates ranged from 60 to 72 cents. Ten areas out of the nineteen now have a 65-cent or higher rate and these include the predominant proportion of the population. Regional board II has common-labor rates extending from 50 to 73 cents. Region IV generally has now adopted a 55-cent or higher rate. Region IV, with Cleveland as its center, has rates ranging from 50 to 75 cents. Thirty of the 52 areas for which common-labor rates have been set in region 6 were 65 cents or higher. In region VII, with Kansas City as its center, the common-labor rates range from 55 to 80 cents. In region VIII, with Dallas as its center, the rates range from 50 to 54 cents. In region IX with Denver as its center, the range is from 60 to 80 cents. In region X, including California, the range is from 65 to 75 cents. In region XI, the common-labor rate for the paper and pulp industry is 72.5 cents.

The National War Labor Board has confirmed the 55 cents as the minimum from the point of view of substandard rates. It has, moreover, indicated in its decisions that the comman-labor rate for areas may be considered the appropriate rate for the plant minimum for all manufacturing industries. (See Atlanta Steel, 111–336–D; Louisville Textile Co., 111–4288–D; and Portland Cordage Co., 111–2286–D.)

A complete history of the common-labor rates now prevailing in American industry shows that a vast proportion of the workers are now located in areas

in which 65 cents or higher minimum-bracket rates have been established by the War Labor Board for common labor. American industry has generally recognized the common-labor rate as the lowest rate of pay for employees. Workers with greater skill should be paid a higher rate. The adoption of the 65-cent minimum would assure greater uniformity in the rate of pay and tend to maintain the wage levels which have been developed during the war period.

The present bill will tend to have the same stabilizing effects on our competitive economy which the 1938 wage-and-hour law had upon the competitive system in 1938. It will save American capital and workers. It will prevent unjust migration and the development of ghost towns. The new industrial communities will not be sacrificed by the development of lower wage rates in newer communities. There is already evidence of the desire on the part of many communities to cut wages. It must be prevented by the adoption of the present law. We must not permit a spiraling down of wages which will inaugurate a new collapse of our economy and puncture our attempts at developing a full-employment economy. The passage of the present act would do much to enforce the current wage-stabilization law which does not permit wage cuts. It would carry out beyond the reconversion period the general desire that there should be wage stabilization at a decent level to permit healthy competitive relations.

J. LOW WAGES DUE TO UNDERPAYMENT OF WORKERS AND DISCRIMINATION

To no small degree, the present low income of workers is due to discrimination against whole groups of the population. Millions of workers are getting less than the prevailing rates actually being paid to the industry for such work as they perform. If the latter rates were universal, millions of workers would automatically be promoted to the level of normal American wages. Illustrations for this condition of discrimination are legion. Representatives of the individual unions will furnish bountiful illustrations of these conclusions.

Two general summaries of this discrimination may be considered as illustrations of the general condition. A comparison of the common-labor entrance of hourly rates shows that there exists an extremely wide range of rates for similar work. In the ferrous foundries, in the spring of 1943, the range in hourly rates was from 34.6 to 86.6 cents. In the machinery industries, the range was from 37.7 to 92.6 cents; in the meat-packing industries, from 24.7 to 75.6 cents; in building construction, from 40 cents to $1.10; and in the public utilities, from 34.5 to 91 cents per hour. There are wide ranges for comparable common-labor work (table XIX). They indicate the prevailing discrimination in American industry.

A similar study for the spring and summer of 1943 in 26 urban areas for 26 selected occupations reveals striking differences in the rates of pay for identical or closely similar work. Table XX offers the actual rates in existence in these communities for these jobs. For example, bench assemblers, class A males, range from 87 cents per hour in St. Louis to a high of $1.32 per hour in Detroit for comparable work. Another illustration for the metal industries may more strongly underscore this contrast. In the case of class A male tool and die makers, the range is from a low of $1.18 in Boston to $1.62 for Detroit. Interestingly enough, Atlanta, Ga., reported higher earnings ($1.20) for tool makers than did Boston. The range for male janitors ranges from a low of 37 cents in Atlanta to a high of 90 cents in Detroit. Again we repeat these are comparable jobs for which there exist a widely varying rate (table XX).

The same facts are illustrated by an over-all analysis of 31 urban areas. The Bureau of Labor Statistics developed an index on the basis of their 26 occupation groups representing the manufacturing industries and 9 representing the nonmanufacturing industries. It found that in the spring and summer of 1943, Detroit had the highest rate, followed closely by Toledo, Portland, and Seattle. Atlanta was last, with Dallas and Birmingham slightly higher. While nonmanufacturing industries generally formed the same patterns, it was not always true. Moreover, the Bureau found that differences in wage rates among cities show but little relationship and difference in the retail price level in these cities (table XXI).

A 65-cent minimum rate for American industry would tend to eliminate these discriminations. It would compel American employers more nearly to value workers alike. The current variations in rates of pay in American industry for comparable work is most dangerous and threatening. It is condusive to widespread unrest. These must be eliminated.

The wide variation in rates of pay has promoted migration and local government subsidies to industry, resulting ultimately in the creation of misery in the

older industrial areas and ghost towns. New industries don't have to be created in less industrialized areas by means of low wages. This process is a vestige of a barbaric age which remained blind to the ravages of unrestrained competition. Our modern industries don't need the incentive of low wages to grow. They are built on our mechanical ingenuity and high wages.

III. Minimum National Wage Should Immediately Meet the Minimum Budget Test

In view of these conclusions that low wages are an unsound basis for postwar reconversion and for our postwar economy we must find a means of determining the appropriate postwar rate. Certainly in the long run it must be the rate which will fully assure the balance between income and production and which will give us full employment. Our immediate task is to eliminate the worst economic sores of our society—low wages. The removal of these conditions will result in healthier competition and better citizens and, finally, a freer competitive system where governmental agencies and resources are not required to subsidize industry. Our first test must be the elimination of want. If our Government has any immediate obligation it is the abolition of poverty.

Fortunately, this approach has been accepted. The first wage-and-hour law accepted it as a general goal. The National War Labor Board in adopting the 55-cent minimum wage recognized the same fact. It declared in the opinion on its cotton textile decision that the "National War Labor Board unquestionably has the power and the duty to increase wages when clearly necessary to correct substandards of living. * * * The elimination of substandards cannot be dependent entirely upon employer volition. The National War Labor Board has a duty to exercise its judgment in establishing a minimum wage above generally prevailing levels to correct substandards of living when it is feasible and equitable to the employees." Dr. George Taylor, writing for the War Labor Board, declared that "a 55-cent minimum can now be established even though it will initially be effective only as respects a minority of the plants in the industry. This determination is based upon a conviction that at least a 55-cent minimum wage can now be effectuated in the industry without creating employment instability." Mr. Davis further declared in this connection that "all carefully developed budgetary studies show the need for a minimum hourly rate higher than we have ordered in this case." He also pointed out, the order "is so reasonable that they could not be disruptive to employment relations or upsetting to competitive relationships."

The use of the budgetary approach also preceded the National War Labor Board. It has been employed by governmental agencies, arbitrators, and employers in their negotiations. The National War Labor Board of World War I used this same approach. In the United States 26 of the States have enacted minimum-wage laws, most of which "required that minimum wages shall equal the amount necessary to provide the cost of proper living or that cost of adequate maintenance shall be taken into account in setting wages." The Senate subcommittee has already recommended that "the cost-of-living budget approach" shall be employed in determining the wage necessary "to eliminate substandards of living." The present Fair Labor Standards Act declares it to be the avowed purpose of the act to establish "minimum standards of living necessary for health, efficiency, and general well-being of workers."

The principal issue is how we shall attain this objective of arriving at a basic "minimum standard of living" as defined in the act. Unfortunately, we cannot establish the full American standard of living with one act. We are constrained to establish some intermediate vantage point so that the full objective may be attained. At the time of the hearing on the 1937 bill, one labor leader indicated that "Time will show if our minimum is too low; and if it is we will then come back to you, or industry itself will agree to pay more." This progressive attainment of the full objective of an American standard of living for the entire working population must be kept in mind.

We are, therefore, concerned with minimum standards. There are various budgets which may guide us for this purpose. In the first place, there is the budget developed and priced by the Heller committee of research in social economics in California. It is intended to "provide a health and decency standard generally accepted in the local community" for wage earners. It is described as "a comprise between what ought to be and what is. Where minimum physiological requirements are available, as in the case of food or commonly accepted

requirements of health and decency, as in the case of housing, the budgets conform generously. In other items, we have attempted to set up an allowance which will accord with the average spending habits of the economic groups and also will meet generally accepted standards of decency and comfort." The wartime budget price for a wage earner with a family of four persons, as of March 1944, was $2,964.30 for all items including taxes and bonds. The consumption items themselves were priced at $2,432.85. This budget would require a weekly income of $59.28. The budget for a single working woman living alone would be $1,534.20, or $30.88 per week.

Surveys of budgets for single women developed by the Women's Bureau and State departments of labor at a maintenance level provide budgets of substantial costs. The New York State Department of Labor calculated the cost of this budget in 1944 and found that, for a woman worker in New York City, living as a member of a family, $1,244.08, excluding allowances for income taxes and bonds, was necessary. Outside of New York City, it was $1,251.84. For the State as a whole, inclusive of taxes and war bonds, the cost was $1,643 53, or $32.87 per week. The United States Women's Bureau has estimated the cost of a similar budget in Washington, D. C., for December 1943, as being $1,850.71 per year for a woman worker living alone.

Finally, there have been estimates of the cost of the WPA budget for June 15, 1943, the last date for which the Bureau of Labor Statistics has calculated the cost. It found that the average for the commodities and services for that date was $1,673, but there were several cities where the cost was higher. It is estimated that the cost of this budget in June 1945 might well be close to $1,730.

We are also offering for your consideration, the most meager budget ever developed by students of the cost of living in the United States. That is the emergency budget, formulated by the Works Progress Administration. This budget furnishes the irreducible minimum of commodities and services which a worker and his family must have in order to sustain himself.

The Congress of Industrial Organizations notes this test of the cost of this budget, not because it is satisfied with it, but to provide an ultimate test of the conservatism and modesty of the proposed 65-cent minimum which is an established part of the proposed resolution.

The type of life which this emergency budget allows is truly of an emergency level. The War Labor Board panel of the cotton rayon industry declared, with respect to this budget, that "no one contended at the hearings that any of the items included in the budget should have been eliminated, nor does the panel see any point at which this level of living, already very low, could be further reduced. It can fairly be termed an 'emergency' or 'minimum' level of living for a family of four persons. Any lower level of living may, we think, reasonably be considered substandard."

We are submitting a detailed description of this budget to illustrate its very minimum and emergency character (exhibit 1).

This budget, which is an emergency sustenance budget, cannot be considered adequate and should not be tolerated for any length of time.

It is a budget intended for persons on relief rather than for workers in industry. We are offering this budget as a final measure of the modesty of the present proposal.

The cost of this budget was priced by the Textile Workers Union of America, CIO, research department, with the aid and collaboration of the United States Bureau of Labor Statistics. This budget was found to cost for the commodities and services alone: $1,415.46 per year for a family of four, the characteristic size of the private family in America. This survey was made in five cities. The investigators found it necessary to add a food shopping allowance to provide for the inadequate buying knowledge and buying possibilities among low income earners. That increased the total by $109.18. If taxes and war bonds were added, the total cost of this budget on a yearly basis would be $1,752.18 and on a weekly basis, $33.96. If it is assumed that there are 2,000 work hours during the year, which is a most liberal assumption, a worker would have to earn 70.8 cents an hour to maintain this budget. If allowance is made for bad shopping he must earn 76.2 cents an hour. Adjustments to include taxes and bond purchases would bring the hourly rate to 87.6 cents. This last figure is the true cost of an emergency budget at the present time.

Moreover, this estimate is a most conservative one. We are attaching a statement of appraisal by the Bureau of Labor Statistics concerning this budget as well as a summary of it appearing in the Monthly Labor Review both of which confirm the conservatism of the estimates. The panel (referred to above) indicated the

following: "With respect to food, clothing and house furnishings, the cost figures obtained by the union appear to be on the conservative side. As regards food, the budget assumes that textile workers' wives are sufficiently well-informed to secure a nutritious diet at minimum cost; actual costs would certainly be higher than this assumed minimum. As regards clothing, goods of the quality priced by the union are becoming increasingly scarce and workers are frequently obliged to buy more expensive substitutes. This is true also of housefurnishings. The rent figures also do not appear excessive for the 'standard' housing described in the budget as soundly constructed, with an average of one room per person and an indoor toilet (no bathroom). On the whole, the figure of $1,415.46 showing the union's study appears to reflect accurately the actual cost of living at the defined level."

It is quite apparent, therefore, that the proposed 65 cents minimum is a far cry from eliminating substandard conditions. We approve of it as a stopgap in the process of eliminating conditions which do not permit workers to maintain even emergency conditions of living within this country. We must progressively attain the 65 cents minimum as prescribed in the bill to permit the direct purchase of the foods and services required by the budget.

The Bureau of Labor Statistics reports that in 1944 the average break-even point for urban families with two or more persons was $1,950 after income taxes. Moreover it reports that 19 urban wage earner families out of 20 had more than $1,500 in 1944.

IV. Proposed Wage-and-Hour Law Revision Can Be Shouldered by the American Economy

A. COST CAN BE BORNE BY AMERICAN INDUSTRY

Certainly an economy which distributed in 1943 average annual earnings of $2,026 to employees in private industry can afford a potential minimum of $1,300 and $1,500 within 2 years. An economy which produced a national product of $166,000,000,000 can afford this level. Our resources are tremendous; they can be kept utilized only if there is a market. Wages and salaries constitute the bulk of this market.

The present proposal for a 65-cent minimum wage and progressive attainment of a 75-cent minimum after a 2-year period is a modest proposal, when it is realized that a substantial proportion of American industry has already attained this general goal. The effect of recent wage increases is significantly reflected in the figures for the manufacturing industries for which we have complete data. While 17 percent of the employees were earning under 40 cents, in January 1941, the number has not diminished to a point where they are too few to be enumerated. Within the manufacturing industries, the proportion under 50 cents declined from 31 percent in January 1941 to 8 percent in January 1944 and finally to 3 percent in the summer of 1945. The Division of Economics of the Wage and Hour Division of the Department of Labor declares that probably no more than 1¼ million persons covered by the act received less than 50 cents on January 1944. This is only slightly larger than the estimate of the number in the manufacturing industries (1,087,000). By the summer of 1945, the proportion has become even less significant.

The Bureau of Labor Statistics estimated that 20 percent of the workers in the manufacturing industries would earn less than 65 cents per hour, by June 1945. This would include 330,000 persons (or 3 percent) under 50 cents, 1,230,000 (or 10 percent) earning between 50 and 60 cents; and 820,000 (or 7 percent) earning between 60 and 65 cents.

Since these estimates were made additional wage changes have taken place in a number of industries which has very sharply reduced this total. The most pronounced increases have appeared in the chemical, petroleum and coal products industries, but others are already noticeable in the machinery and textile industries. These will even more considerably reduce the total number affected by the 65 cents minimum wage. The 20 percent in June 1945 may well be reduced below 15 percent.

To estimate the probable effect of the revision it is well to consider its present jurisdiction. Besides the manufacturing industries, it includes the mining industries inclusive of bituminous, anthracite, metallic ferrous mining and quarrying and nonmetallic mining, crude petroleum producing, telephone and telegraph, electric light and power, wholesale trade, insurance and brokerage, railroads and

motor carriers, and mail-order houses, finance, real estate, motion picture, and other miscellaneous industries. No clear reconciliation could be made between the figures issued on wage distributions by the National War Labor Board for January 1944 and the coverage of the wage-and-hour law. However for present purposes we can estimate that the coverage roughly included the manufacturing, mining, transportation, communication and public utilities, wholesale trade, finance and real-estate fields, which in January 1944 employed 20,586,000 persons. Of this total 5,547,000 (26 percent were earning less than 65 cents).

	Employment	Number under 65 cents	Percent under 65 cents
Manufacturing	13,656,000	3,288,000	24.1
Transportation, communications, and public utilities	3,641,000	956,000	26.2
Mining	581,000	18,000	3.1
Wholesale trade	1,563,000	744,000	47.6
Financial, insurance, and real estate	1,145,000	541,000	47.2
Total	20,586,000	5,547,000	26.9

We have already noted that in the manufacturing industries, the total under 65 cents had declined from an approximate total of 3,288,000 in January 1941 to 2,380,000 in June 1945. While part of the reduction was due to the decline in total manufacturing employment, a significant drop has taken place in the proportion under 65 cents. The proportion of persons under 65 cents contracted from the 26.9 percent to approximately 20 percent of the work force covered by the present wage-and-hour law. Numerically the greatest group would be in the manufacturing industries.

The establishment of this minimum of 65 cents with progressive increases to 75 cents is particularly important during this transition, from war industries to peacetime industries. Part of the increases in the proportion of employees in the higher wage groups has been due to the shift in employment to the higher paid war industries (table XXIII). These industries, in June 1943, showing 9 percent of the employees under 60 cents as compared with 40 percent in the nonwar industries, will reverse the trend with unfortunate results on our economy and on labor stability. A new floor must be established before wholesale shifts occur. There is no time to lose. We must act quickly on this bill.

To determine the potential cost of the proposed bill we have had to turn to estimates developed by the Division of Research of the Office of Price Administration. For the period of June 1945 they have estimated that a total of 19 percent of the employees in manufacturing industries employing 11,768,000 persons would be affected (table XXIV). To raise the total pay roll would mean an increase in the pay roll of only 2 percent in that it would raise the straight time average hourly earnings from 96.8 percent to 98.7 percent.

The total wage bill would be increased by $594,000,000. The OPA estimates that this same wage bill would incidentally be reduced by $1,877,000,000 due to elimination of overtime. Consequently the application of the 65 cents minimum would still leave a smaller over-all total pay roll and cost per man-hour resulting from the elimination of the premium overtime. Only in 4 of the 17 industries would the total pay roll have to be increased. These industries are tobacco, lumber, timber, textiles, and apparel. It may incidentally be noted that a voluntary wage movement is perceptible in the textile industries which is likely to reduce this cost considerably.

There is no doubt of the ability of the manufacturing industries to cover the cost of these increases. The OPA has calculated the profits before taxes of these industries. It found that these manufacturing industries reported total profits of 14.55 billion dollars in 1944 before taxes. The additional cost of the wage bill as a percent of 1944 profits would be only 3.5 percent (table XXV). The increases would be largest for the lumber and timber industries where the wage increase would constitute 42.9 percent of the total profits for 1944. The next large cost would be in the apparel industries where the increases in the wage bill would represent 32.5 percent of the profits. The proportion in the other industries would be relatively small.

The date on profits for the other industries would be equally impressive. At the present writing, direct comparisons cannot be made for a period later than 1944. In the previous hearing before your subcommittee we submitted data concerning the industries. It may be summarized as follows: As of January

1944, the total cost of increasing the employee to the 65 cents minimum would, on the basis of 1943 profits before taxes, constitute only 11 percent of the profits in the mining industry, 5.85 percent of the profits in the transportation, communication industry, and public utility industries and 34 percent of the profits of the wholesale industries.

These profits truly attest to the community industry's ability to absorb the cost of the increases required to effect the 65 cents minimum as proposed. The profit record of American industry has been so substantial that we are assured of its continued ability to meet this financial test. Profits of American industry have been phenomenally high. The United States Department of Commerce reports that the industries with which we are concerned have been impressively profitable. All corporate profits rose from 7.39 billion dollars in 1940 to double that sum in 1941, to 20 billion dollars in 1942, to 22.8 billion dollars in 1943 and to 25 billion dollars in 1944.

Studies produced by the OPA indicate there was a similar continued increase in financial ability in the manufacturing and mining industries. Their net worth was similarly at a peak of $60,000,000,000. They made 10.33 percent on sales.

American industry can afford to pay the total cost of the increase in the minimum wage without particular concern as to its effect on its financial resources (table XXVI).

B. PRODUCTION OF AMERICAN WORKER ASSURES EASE OF CARRYING INCREASES

A further guaranty of industry's ability to finance this increase is the tremendous rise in man-hour productivity which is likely to follow on the completion of the war. During this war, man-hour output has risen impressively in war industries.

Over-all estimates for the manufacturing industries indicate that from 1938 through 1941, the increase was 15 percent, or 3.75 percent per year. Following the war, new equipment, selected personnel and more immediate attention to costs are applied to industry. After the last war, man-hour output increased from 1919 through 1922 by 11 percent per annum. Labor cost declined during the twenties so that it was in 1929 31 percent below 1919. Each hour during that year produced 72 percent more than in 1919, but hourly earnings had increased only 19 percent. This development continued during the thirties. By 1939, each man-hour was producing 128 percent more than in 1919 (table XXVII). The reduction of hours to peace-time standards would also immediately increase man-hour output.

A significant rise in hourly output will follow the reestablishment of the 8-hour day and 40-hour week. (See Studies of the Effects of Long Working Hours, Monthly Labor Review, June 1944, p. 1132.)

One further guaranty exists, that the increases in labor rates will be easily shouldered by American industry. As labor organizes we have found it to be invariably true. American industry has learned and will continue to learn how to handle the increases in wages. They have always found means of overcoming the costs. Moreover, these increases in wages can be constructively met by managements which have had, and will continue to have or will install labor-management committees. The display of cooperation which, with its attendant constructive results, can be obtained through assurances of the labor's continued sharing in the results. Higher wages have always been a stimulant to new ingenuity by all groups. The raise provided by the present bill will do the same.

We therefore conclude that industry can and must assume this new increased minimum wage. It is indispensible to American progress and full employment during and after this reconversion period.

V. PAST EXPERIENCE HAS PROVEN THAT THESE MINIMUM WAGE CHANGES CAN BE MADE

For those who still question the constructive nature of the proposal, we urge them to turn to history. The establishment of the NRA minima inaugurated a period of intense industrial activity. On the withdrawal of the NRA codes we had a collapse in rates in many industries with consequent unsettling of the wage structure and business. The 1938 wage-and-hour law tends to stabilize wages in the midst of a business recession. It was followed by a continued succession of rising industrial activity, more employment and higher profits for industry. The War Labor Board history has been the same. During its

short period, we have risen to 55 cents. Industry expanded; profits rose and income for all groups jumped markedly.

There is no evidence that any dire predictions will stand up. On the contrary all past history points in only one direction. Higher wages means higher standards of living; they mean more business activity and promise of more opportunities for industry.

VI. PEG POINTS FOR SEMISKILLED WORKERS DESIRABLE FOR INDUSTRY-WIDE STABILIZATION

We endorse wholeheartedly, the proposal that the industry committees shall be enabled to recommend for adoption minimum wage rates for job classifications of semiskilled and skilled workers. This procedure is not new to American wage legislation. During the NRA period 55 codes provided such occupational minima. These prescribed specific wage rates for selected jobs or basing points or tended to extend existing union wage scales through an entire area. The President's Committee on Industrial Analysis concluded that "experience showed that the Government could successfully undertake the enforcement of provisions for the protection of the wages of employees above the minimum where the provisions were the result of the joint negotiations of employer and employee groups, where the terms were satisfactory to each and where both groups undertook the enforcement of the provisions. * * * Definite provisions for the protection of the wages of various occupational groups were shown to be necessary for a long-term program of stabilizing labor cost."

These provisions for wage schedules were adopted in numerous industries extending from the apparel to the construction group.

This same principle has been widely endorsed by the National War Labor Board. In its report for the President on wage stabilization it declared as follows:

"In the light of our experience, and of the changes in the economy, since 1938, we raise the question whether it would not be appropriate to consider a statutory requirement that, in each industry, minimum rates for a limited number of key occupations above the minimum rate should be set with a view of more effectively correcting substandards of living and so, as far as possible, eliminate competitive advantages derived from the payment of inadequate differentials above the minimum starting rate. Peg points of this sort above the starting rate would not have to be identical for all areas or for all branches of a given industry and they could be established through industry committees and collective bargaining in the same way as has been provided for in the act with respect to rates.

"These peg points would constitute a framework within which all intermediate rates would have to be set in accordance with proper job descriptions and evaluations, in balance with each other and the peg points * * * This process of reevaluation will impart more stability to wage structures and act as a deterrent against reductions in straight-time hourly earnings in the reconversion period. A statutory requirement that peg points be established would therefore support the congressional purposes declared in the Stabilization Act of October 2, 1942, to avoid the deflation of wages.

"We think that industry and labor might well consider this purpose whose achievement is so necessary to the continued stability of the economy, might not be still further advanced by a statutory enactment under which the industry committee procedure laid down in the present act would be extended to cover the establishment of minimum starting rates and of minimum peg points above them, not only in the industries with the lowest wages but in all industries. The establishment of these minima throughout industry generally and the consequent revision of ill-defined and unbalanced wage structures would provide a substantial degree of protection against deflation of straight-time hourly earnings in the reconversion period." (War Labor Board, report to the President on wage stabilization, February 12, 1945, War Labor Reports, vol. 21, No. 7, p. XXIV).

The recent experience with the administration of the peg point rate schedule as developed as a result of the National War Labor Board for the cotton-rayon textile industry, furnishes again deliberate proof of the practicality and desirability of this approach. The National War Labor Board in its recent decision affecting the textile industry established definite peg rates for seven jobs. The parties were instructed to develop complete balanced wage schedule on the basis of these rates. Special commissions have been appointed to handle these

questions. As a result the Southern Commission has already promulgated some 36 rates which have been widely adopted through the cotton textile industry. We are now freely bargaining with many companies toward the development of wage schedules which are balanced and rational and which will promote constructive industrial relations.

Similar experiences have been recorded in the shipbuilding and other industries where occupational minima have been developed. They had a strong stabilizing effect in the industry. Several additional industries, particularly the iron and steel and the meat-packing industries, are engaged in similar development of balanced wage structures within their areas.

We believe that the NRA and War Labor Board definitely confirm the practicality of those procedures. The present arrangement for committees considering those proposals, of course, does not make the establishment of these peg rates mandatory. It allows for this technique to be pursued and adopted. Moreover, the committee approach will allow for flexible procedures. In areas where substantial agreement already exists between employers and unions, it will be possible to adopt the union scales as they exist and extend them to the entire industry. This procedure is now widely practiced in the democratic countries such as Canada, Great Britain, France, and Australia.

We urge the adoption of this provision for the adoption of peg rates as contributing to the stabilization of highly competitive industries and the promotion of sound industrial relations.

VII. Coverage of the Bill Should Be Extended

The coverage of the present act is being extended. In section 13 the areas are extended by eliminating the exemption for seamen, eliminating the exemption granted to employees engaged in the "employment in the loading, unloading and packing of (fish shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal vegetable life) and the exemption granted to persons "employed within the area of production engaged in handling packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw or natural state, or canning of agricultural or horticultural commodities for market or in making cheese or butter or other dairy products." One exemption has been granted to "switchboard operators employed in a public telephone exchange which has less than 500 stations."

The second elimination is section 7c, which is being deleted. It provides that employers engaged in the "first processing of milk whey, skimmed milk or cream into dairy products, or in the ginning and compressing of cotton, or in the processing of cottonseed, or in the processing of sugar beets, sugar beet molasses, sugarcane or maple sap into sugar (but not refined into sugar) or into sirup, the provisions of subsection (a) shall not apply to his employees in any place of employment where he is so engaged; and in the case of an employer engaged in the processing of, or in the canning or packing of perishable or seasonable fresh fruits or vegetables, or in the first processing, within the area of production as (defined by the administrator of agriculutral or horticultural commodities during seasonal operations or in handling slaughtering, or dressing poultry or livestock, the provisions of subsec. 9a) during a period or periods of not more than 14 workweeks in the aggregate in any calendar year, shall not apply to his employees in any place of employment where he is so engaged."

President Truman has already made his views known. He has asked that the "scope of the Fair Labor Standards Act also should be clarified and extended * * *. In view of changes which have occurred since 1938, I believe it is no longer necessary to exclude from the minimum wage program the large number of workers engaged on agricultural processing which are now excluded. There now exists a twilight zone in which some workers are covered and others doing similar work are not. Extension of coverage would benefit both workers and employers, by removing competitive inequities."

Specific witnesses will discuss various classifications. We do not recognize any legitimate grounds for these exemptions. The ones which remain are generous. Many of them have already been removed by reason of union contracts and have become obsolete. Others have been excessive sources of conflict and endangered the administration of the act. No exemptions should be granted from the overtime penalty. The act should certainly be modified to provide for such payments to the groups now excluded.

VIII. Conclusion

The Congress of Industrial Organizations concludes by urging the adoption of the present bill as a necessary revision of the Wages and Hours Act. A satisfactory minimum wage is necessary for the redemption of our promises; it is imperative to gain full employment. It is inescapable if we are to keep our leadership in world affairs. We must abolish want. It is the one sure way of doing so.

Substandard wages are costly and discriminatory. American industry knows how to adjust itself to rising wages. It has always done so. The secret of American industrialism is high wages. We must bring the straggling group within our fold. We must eliminate the blot of low wages.

The wage-and-hour law of 1938 stabilized our economy as it began a downward spiral; it prevented the unconscionable employer from tearing down the structure. It stabilized as a preliminary to a rise. The present bill will stabilize wages and correct the worst substandard conditions. It will provide the temporary stopgap to the complete elimination of poverty and want from the industries which are covered. We cannot betray the soldier and the industrial veteran. We cannot betray our slogan. We must assure our citizenry and the world that our charter of the four freedoms was not a dream but a practical, real goal.

Only a program of correcting substandard wages would insure the American people that we are truly fighting deflation and future depressions. The test of our willingness to fight for an economy of full employment is the adoption of the proposed bill.

We are living in the atomic age. Our resources and powers are limitless. We have harnessed tremendous powers. We have learned how to destroy with them. We must compel these powers to be used constructively. We, therefore, call upon employers and the people of our country to fulfill the promise of this atomic age which is complete freedom from economic want. We must enlist these powers. Let us guarantee the 65 cents minimum with progressive realization of our 75 cents goal. With this enactment we point management's eye to tremendous new industrial and scientific developments. Let them utilize these advances so that we can truly meet these new vistas. American labor and management met the demands of the war. We can meet the demands of peace for freedom from want and security if we work toward these ends with the same teamwork as the scientists did in harnessing atomic power.

Statistical Supplement on Statement by Solomon Barkin, Chairman, CIO Committee on S. 1349, on Behalf of the Congress of Industrial Organizations, Before the Senate Committee on Education and Labor, on the Proposed Revision of the Wage and Hour Law to Establish a 65-Cent-Minimum Wage, October 5, 1945

Table II.—*Minimum wage rates established under wage orders issued pursuant to the Fair Labor Standards Act*

Regulations Part No.	Industry	Cents per hour	Effective
	Apparel industry:		
575	Belts division	40	July 15, 1940
574	Caps and cloth-hats division	40	Do.
566	Cloaks, suits, and separate-skirts division	40	Do.
562	Leather and sheep-lined garments division	40	Do.
559	Men's and boys' clothing division	40	Do.
563	Rainwear division	40	Do.
561	Sportswear and other odd-outerwear division	40	Mar. 20, 1944
648	Bakery, beverage, and miscellaneous-food industries	40	Oct. 19, 1942
625	Button and buckle manufacturing industry	40	Mar. 29, 1943
627	Candy and related-products manufacturing industry	40	Oct. 18, 1943
638	Canned fruits and vegetables and related-products industry	40	Mar. 17, 1941
592	Carpet and rug industry, wool division	40	Feb. 7, 1944
643	Chemical, petroleum, and coal products, and allied manufacturing industries	40	Aug. 10, 1942
622	Cigar industry, cigar-manufacturing branch	40	July 17, 1944
652	Communication, utilities, and miscellaneous-transportation industries	40	Feb. 7, 1944
650	Construction industry		

TABLE II.—*Minimum wage rates established under wage orders issued pursuant to the Fair Labor Standards Act*—Continued

Regulations Part No.	Industry	Cents per hour	Effective
630	Converted paper-products industry [1]	40	Feb. 15, 1943
632	Cooking and heating appliances manufacturing industry	40	Apr. 12, 1943
640	Cottonseed and peanut-crushing industry	40	Aug. 16, 1943
600	Drug, medicine, and toilet-preparations industry	40	July 7, 1941
633	Embroideries industry	40	Sept. 20, 1943
594	Enamaled-utensil industry	40	Apr. 21, 1941
651	Finance, insurance, real estate, motion picture, and miscellaneous industries	40	July 17, 1944
645	Fruit and vegetable packing and farm-products assembling industry	40	May 22, 1944
621	Gloves and mittens industry	40	Sept. 21, 1942
626	Grain-products industry	40	Mar. 1, 1943
602	Gray iron jobbing foundry industry	40	Nov. 3, 1941
628	Handkerchief-manufacturing industry	40	Feb. 15, 1943
557	Hat industry:		
	Fur-felt hat and hat-body division	40	July 1, 1940
	Hatters' furs division	40	Do.
	Silk and opera-hat division	40	Do.
	Wool-felt hat and hat-body division	40	Do.
551	Hosiery industry, full-fashioned branch	40	Sept. 18, 1939
607	Jewelry-manufacturing industry	40	Nov. 3, 1941
617	Knitted outerwear industry	40	Apr. 20, 1942
613	Knitted and men's woven underwear and commercial knitting industry	40	Nov. 24, 1941
586	Leather industry	40	Sept. 16, 1940
647	Logging, lumber, and timber and related-products industries	40	Feb. 7, 1944
620	Luggage, leather goods, and women's-handbag industry	40	July 27, 1942
639	Mattress, bedding, and related-products industry	40	Sept. 20, 1943
644	Meat, poultry, and dairy-products industry	40	Mar. 20, 1944
649	Metal ore, coal, petroleum, and natural-gas-extraction industries	40	Do.
636	Metal, plastics, machinery, instrument, and allied industries	40	Sept. 13, 1943
553	Millinery industry	40	Jan. 15, 1940
614	Miscellaneous-apparel industry	40	Dec. 15, 1941
637	Miscellaneous textile, leather, fur, straw, and related-products industries	40	Sept. 20, 1943
615	Passenger motor-carrier industry	40	Jan. 5, 1942
634	Pens and pencils manufacturing industry	40	Dec. 27, 1943
595	Portable lamp and shade industry	40	July 1, 1941
631	Printing and publishing and allied graphic-arts industry	40	June 14, 1943
616	Property motor-carrier industry	40	Mar. 16, 1942
585	Pulp and primary-paper industry	40	Sept. 16, 1940
624	Railroad carrier industry	40	Aug. 31, 1942
601	Rubber-products manufacturing industry	40	July 28, 1941
629	Seamless-hosiery industry	40	Feb. 15, 1943
608	Shoe manufacturing and allied industries	40	Nov. 3, 1941
606	Single pants, shirts, and allied-garments industry	40	Sept. 29, 1941
642	Stone, clay, glass, and allied industries	40	Dec. 27, 1943
635	Sugar and related-products industry	40	June 21, 1943
619	Textile industry	40	Apr. 20, 1942
623	Tobacco industry	40	Aug. 10, 1942
641	Vegetable fats and oils industry	40	Aug. 16, 1943
646	Wholesaling, warehousing, and other distribution industries	40	Feb. 7, 1944
605	Women's-apparel industry	40	Sept. 29, 1941
611	Wood-furniture-manufacturing industry	40	Nov. 3, 1941
612	Woolen industry	40	Nov. 24, 1941

[1] A 40-cent rate was previously established for certain products included in this industry through the issuance of the wage order for the converted paper-products industry, Regulations Part No. 598, effective June 30, 1941.

NOTE.—Minimum-wage rates established for Puerto Rico are available separately.

TABLE III.—*Persons disabled on date of interview: Number and percent, by family income group, 83 cities, 1935–36 (11,985 white and Negro persons [1])*

Income group	Number of persons	Persons disabled on date of interview	
		Number	Percent
Relief	2,241	148	6.6
Less than $1,000	2,898	128	4.4
$1,000 to $1,499	2,690	93	3.5
$1,500 to $1,999	1,979	51	2.6
$2,000 to $2,999	1,371	48	3.5
$3,000 to $4,999	539	21	3.9
$5,000 or more	267	11	4.1

[1] Represents 0.5 percent sample of all persons surveyed.

Source: U. S. Public Health Service, National Health Survey, 1935-36.

TABLE IV.—*Acute and chronic disabling illness: [1] Average number of days per person, by age group and family income group, 83 cities, 1935–36 (2,152,740 white persons and 198,211 Negroes)*

Age group and family income group	Days of disabling illnesses per person					
	All illnesses	Acute illnesses	Chronic illnesses			
			All	Disabling for less than 12 months	Disabling for 12 months	
					All	Noninstitutional
	White					
All incomes	9.8	2.6	7.2	3.0	4.2	3.9
Relief	16.2	3.5	12.6	4.7	8.0	7.3
Less than $1,000	12.2	2.6	9.6	3.6	5.9	5.6
1,000 to 1,999	7.5	2.4	5.1	2.4	2.8	2.6
2,000 to 2,999	6.9	2.3	4.6	2.3	2.3	2.2
3,000 or more	6.7	2.2	4.5	2.3	2.3	2.1

[1] Represents all illnesses disabling for 7 days or more and all hospital cases, confinements, and fatal cases.

Source: U. S. Public Health Survey, National Health Survey, 1935-36.

TABLE V.—*Disabling illnesses: Percent receiving specified item of medical care, by family income group and size of community, 83 cities, 1935–36 (2,152,740 persons in white families)*

Income group	Number of disabling illnesses	Percent of illnesses receiving physicians' services						
		All illnesses	All illnesses except hospital	At home	At clinic	Hospital care	Nursing	
							Private	Visiting
	All communities							
All incomes	367,257	81	75	53	5.2	27	3.8	7.0
Relief	85,029	78	70	47	12.3	27	1.2	11.8
Less than $1,000	82,986	78	72	50	4.2	25	2.9	6.0
$1,000 to $1,999	136,114	82	76	55	2.9	28	3.9	6.0
$2,000 to $2,999	40,057	85	80	60	2.0	29	6.4	4.6
$3,000 to $4,999	15,838	87	82	64	1.5	29	9.2	3.3
$5,000 or more	7,233	89	84	69	.9	31	16.6	2.7

Source: Britten, R. H., Collins, S. D., and Fitzgerald, J. S., U. S. Public Health Service, Public Health Reports, Washington, D. C., vol. 55, No. 11, Mar. 15, 1940, pp. 444-470 (based on data from the National Health Survey, 1935-36).

TABLE VI.—*Estimated average medical care expenditure of all families and single consumers, and percent of income spent for medical care, by money income group and type of community, United States, 1941 and January to March 1942*

Money income group [1]	Average medical care expenditure			Percent of income spent for medical care		
	Urban [2]	Rural nonfarm	Rural farm	Urban	Rural nonfarm	Rural farm
	January to December 1941					
Less than $250			29			21.2
$250 to $499	26	24	34	8.3	8.2	9.0
$500 to $749			40			6.4
$750 to $999	32	51	58	4.3	6.9	6.7
$1,000 to $1,499	58	70	65	4.7	5.7	5.3
$1,500 to $1,999	77	85	94	4.4	5.0	5.5
$2,000 to $2,499	96	102	114	4.3	4.3	4.7
$2,500 to $2,999	115			4.2		
$3,000 to $4,999	153	[3] 162	[3] 124	4.1	[3] 3.5	[3] 2.2
$5,000 to $9,999	236			3.8		
	January to March 1942					
Less than $62.50			14			43.8
$62.50 to $124.99			14	9.4	9.9	11.8
$125 to $187.49	7	7	11			7.1
$187.50 to $249.99	13	9	11	7.3	4.9	5.6
$250 to $374.99	18	16	12	5.8	5.2	2.6
$375 to $499.99	23	18	23	5.3	4.2	5.4
$500 to $624.99	28	26	17	5.1	4.4	2.7
$625 to $749.99	34			4.9		
$750 to $1,249.99	43	[4] 48	[4] 21	4.6	[4] 3.7	[4] 1.1
$1,250 to $2,499.99	61			3.8		

[1] Represents for January to December 1941 annual income, and for January to March 1942 quarterly income.
[2] Data smoothed mathematically to eliminate random errors introduced by small sample.
[3] Relates to income group of $3,000 or more.
[4] Relates to income group of $750 or more.

Source: U. S. Bureau of Labor Statistics and U. S. Bureau of Home Economics Study of Family Spending and Saving in War Time—Washington.

TABLE VII.—*Number of active doctors under age 65, population per doctor, and the number of hospital beds per 1,000 population, by States, ranked in order of per capita income for 1943, from high to low*

States per capita income 1943, ranked highest to lowest	1944—Active doctors under 65 [1]		Hospital beds per 1,000 population [3]
	Number	Population per doctor [2]	
United States total	99,121	1,284	3.3
Connecticut	1,709	1,023	4.2
California	6,441	1,224	3.6
Nevada	109	1,199	5.3
Washington	1,190	1,601	3.8
Delaware	169	1,619	4.6
New York	14,469	860	4.6
District of Columbia	1,073	761	5.8
Rhode Island	658	1,056	4.0
New Jersey	3,208	1,272	3.8
Michigan	3,806	1,413	4.4
Oregon	838	1,396	3.7
Illinois	7,635	991	3.7
Ohio	5,097	1,340	2.9
Massachusetts	5,528	740	5.5
Maryland	1,552	1,278	4.1
Indiana	2,345	1,443	2.6
Pennsylvania	8,025	1,156	3.6
Maine	626	1,250	3.2
Montana	353	1,332	5.2
Utah	387	1,508	3.4

See footnotes at end of table.

TABLE VII.—*Number of active doctors under age 65, population per doctor, and the number of hospital beds per 1,000 population, by States, ranked in order of per capita income for 1943, from high to low*—Continued

States per capita income 1943, ranked highest to lowest	1944—Active doctors under 65 [1]		Hospital beds per 1,000 population [3]
	Number	Population per doctor [2]	
Kansas	1,184	1,418	2.8
Wisconsin	2,352	1,252	3.7
Iowa	1,738	1,310	2.9
North Dakota	344	1,560	3.6
Idaho	232	2,040	2.9
Colorado	818	1,305	4.2
Wyoming	144	1,657	3.6
Nebraska	966	1,217	3.4
Minnesota	1,797	1,405	4.2
Missouri	2,672	1,319	3.4
Vermont	257	1,230	3.3
Florida	921	2,185	2.7
South Dakota	283	1,925	2.9
New Hampshire	388	1,168	4.4
Virginia	1,312	2,111	2.6
Texas	3,420	1,836	2.2
Arizona	263	2,165	3.1
Oklahoma	1,482	1,341	1.9
Louisiana	1,449	1,599	3.0
West Virginia	1,123	1,543	2.8
New Mexico	260	1,885	2.5
Tennessee	1,705	1,653	2.0
Georgia	1,561	1,907	1.8
North Carolina	1,696	1,973	2.3
Kentucky	1,416	1,899	1.8
Alabama	1,273	1,213	1.8
South Carolina	703	2,257	1.9
Arkansas	1,109	1,565	1.6
Mississippi	945	2,113	1.5

[1] Excludes physicians in armed forces.
[2] Based on estimated population as of Nov. 1, 1943.
[3] Number of beds in general and special hospitals registered by American Medical Association in 1941 per 1,000 population in 1940.

Source: Social Security Board, Bureau of Research and Statistics, Division of Coordinating Studies September 1945.

TABLE VIII.—*Maternal mortality and death rates for specific diseases, by States, ranked in order of per capita income for 1943 from highest to lowest*

State	1943—per capita income	1942—maternal mortality rate [1]	1942—death rates for specific diseases		
			Whooping cough	Malaria	Tuberculosis [2]
United States average	1,031	2.6	1.9	0.6	39.6
Connecticut	1,452	1.8	.5	0	32.0
California	1,429	2.0	1.4	0	46.1
Navada	1,397	.7	5.9	0	50.8
Washington	1,368	1.7	1.3	0	32.2
Delaware	1,361	1.6	1.8	0	48.0
New York	1,340	2.2	1.1	.1	43.3
District of Columbia	1,304	2.7	2.0	0	57.4
Rhode Island	1,292	1.8	1.2	0	34.8
New Jersey	1,282	2.0	1.1	.1	41.0
Michigan	1,230	2.1	1.3	.1	30.4
Oregon	1,229	1.7	1.5	.1	24.5
Illinois	1,226	2.1	1.2	.2	38.5
Ohio	1,204	2.1	1.8	.1	37.1
Massachusetts	1,201	2.1	.6	.1	34.5
Maryland	1,200	2.0	1.6	.1	60.6
Indiana	1,092	2.4	1.8	.2	32.9
Pennsylvania	1,048	2.7	1.7	.1	39.9
Maine	1,036	2.1	3.0	.1	28.6
Montana	1,029	2.2	2.3	0	35.9
Utah	1,009	1.7	.7	0	11.6
Kansas	1,003	2.6	.9	0	22.8
Wisconsin	1,003	1.8	1.4	0	22.7
Iowa	983	1.9	1.2	0	15.6
North Dakota	971	2.2	1.7	0	18.0

See footnotes at end of table.

TABLE VIII.—*Maternal mortality and death rates for specific diseases, by States ranked in order of per capita income for 1943 from highest to lowest*—Con.

State	1943—per capita income	1942—maternal mortality rate [1]	1942—death rates for specific diseases		
			Whooping cough	Malaria	Tuberculosis [2]
Idaho	955	2.6	1.0	0	16.1
Colorado	950	1.9	2.3	.2	40.0
Wyoming	938	2.3	2.4	0	11.5
Nebraska	937	1.9	1.0	0	12.6
Minnesota	916	1.6	.8	.2	23.5
Missouri	896	2.6	.9	.6	38.5
Vermont	891	2.1	3.8	0	30.7
Florida	874	4.1	2.2	2.3	38.7
South Dakota	846	2.0	4.3	0	26.6
New Hampshire	827	1.2	2.1	0	19.5
Virginia	820	3.2	3.4	.2	49.5
Texas	818	3.0	2.8	1.4	50.1
Arizona	805	3.9	7.1	0	114.9
Oklahoma	729	3.1	2.3	1.1	41.5
Louisiana	714	3.5	2.7	2.2	44.1
West Virginia	688	2.3	2.8	0	37.5
New Mexico	656	4.8	7.0	0	51.4
Tennessee	649	3.0	2.4	1.1	64.3
Georgia	647	4.1	3.2	2.5	36.7
North Carolina	619	3.4	2.9	.9	37.2
Kentucky	609	2.7	4.3	.5	58.6
Alabama	603	3.3	2.7	3.1	40.8
South Carolina	576	5.3	3.8	5.2	37.4
Arkansas	512	3.7	2.4	6.0	49.7
Mississippi	484	4.4	4.5	3.5	47.1

[1] Puerperal deaths per 1,000 live births.
[2] Per 100,000 population.

Source: Social Security Board, Bureau of Research and Statistics, Division of Coordination Studies, September 1945.

TABLE IX.—*Percentage of families showing various degrees of crowding, by income of the family and relief status, 1935–36*

Annual family income and relief status	Percentage of households with—		
	More than 1 person per room	More than 1½ persons per room	2 or more persons per room
All families	16.1	5.9	3.8
Relief families	34.2	16.0	10.2
Nonrelief families:			
Under $1,000	17.0	7.1	5.0
$1,000 to $2,000	11.8	2.9	1.5
$2,000 and over	7.7	1.4	.7

Source: National Health Survey, Sickness and Medical Care Series, Bulletin No. 5, National Institute of Health, Washington, 1938, p. 8.

TABLE X.—*Economic characteristics and quality of existing housing: Nonfarm families with income from wages and salaries only, classified according to family wage and salary income, and the state of repair and sanitary facilities of the dwelling units they occupy* [1]

Percent distribution	Nonfarm families with income from salaries and wages only—						
	$1–$499	$500–$999	$1,000–$1,499	$1,500–$1,999	$2,000–$2,999	$3,000–$4,999	$5,000 and over
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Needing major repairs	32.8	21.0	12.7	8.5	5.9	4.2	2.7
Not needing major [2] repairs but—							
Lacking running water	30.2	28.8	9.0	4.5	1.9	.8	.3
While having running water lacking private bath, with substantial numbers also lacking private flush toilet	17.2	22.3	17.3	10.2	5.4	2.2	.8
Not needing major [2] repairs and having private bath and private flush toilet	19.8	37.9	61.0	76.8	86.8	92.8	96.2

[1] The census data with respect to family income and rent, upon which this table is based, are limited to families without other income than income received from wages or salaries; that is, families in which no persons 14 years of age or older received income in excess of $50 in 1939 from any source except wages or salaries. Of the total of about 28,000,000 nonfarm families, 15,793,020, or about 60 percent, had no other income other than income received from wages or salaries. Family wage and salary income represents the combined wages and salaries reported by all related persons in the family for 1939.

[2] The United States Census of Housing, 1940, classifies a dwelling unit as needing major repairs if parts of the structure, such as floors, roof plaster, walls, or foundation, require major repairs or replacements; that is repairs or replacements of such character that their continued neglect will seriously impair the soundness of the structure and create a hazard to its safety as a place of residence.

Source: United States Census, 1940, Population and Housing, Families, Income, and Rent.

TABLE XI.—*Per capita State and (estimated) local revenues for fiscal year 1938–39, by States, ranked in order of per capita income for 1943 from highest to lowest*

State	State and local	State	Local	State	State and local	State	Local
United States total	$68.61	$31.64	$36.97	Idaho	67.12	25.67	41.45
Connecticut	83.63	34.35	49.28	Colorado	69.75	34.62	35.13
California	99.76	49.05	50.71	Wyoming	70.89	36.40	34.49
Nevada	98.40	42.58	55.82	Nebraska	54.02	21.01	33.01
Washington	67.74	41.54	26.20	Minnesota	75.98	35.01	40.97
Delaware	70.72	47.18	23.54	Missouri	49.41	24.88	24.53
New York	113.73	40.85	72.88	Vermont	63.39	32.68	30.71
Rhode Island	75.10	31.83	43.27	Florida	58.44	32.17	26.27
New Jersey	102.40	34.38	68.02	South Dakota	64.48	28.86	37.62
Michigan	72.20	37.43	34.77	New Hampshire	79.54	35.62	43.92
Oregon	73.58	30.91	42.67	Virginia	40.13	24.63	15.50
Illinois	78.87	32.21	46.66	Texas	43.09	22.65	20.44
Ohio	72.20	37.97	34.23	Arizona	66.09	36.75	29.34
Massachusetts	96.07	34.69	61.38	Oklahoma	48.51	27.36	21.15
Maryland	59.00	28.55	30.45	Louisiana	54.34	35.52	18.82
Indiana	58.89	28.93	29.96	West Virginia	49.07	31.59	17.48
Pennsylvania	67.94	34.84	33.10	New Mexico	46.17	31.51	14.66
Maine	71.75	33.11	38.64	Tennessee	33.92	18.09	15.83
Montana	80.90	28.74	52.16	Georgia	35.79	17.55	18.24
Utah	71.90	37.18	34.72	North Carolina	36.07	23.70	12.37
Kansas	60.49	25.35	35.14	Kentucky	39.76	20.24	19.52
Wisconsin	79.98	31.67	48.31	Alabama	29.01	19.34	9.67
Iowa	72.41	30.46	41.95	South Carolina	28.51	18.79	9.72
North Dakota	55.77	21.88	33.89	Arkansas	25.84	17.13	8.71
				Mississippi	27.84	14.67	13.17

Source: The Measurement of State and Local Tax Effort, by J. Wilner Sandelson and S. T. Mushken Federal Security Agency. Social Security Board, Bureau of Research and Statistics.

TABLE XII.—*Expenditures for schools in United States, 1939–40, by States, ranked in order of per capita income for 1943, from high to low*

State	Percent of income spent for education	Annual expenditure for average (media) classroom	State	Percent of income spent for education	Annual expenditure for average (media) classroom
United States average	2.57	$1,649	Idaho	3.34	1,495
Connecticut	1.89	2,535	Colorado	2.95	1,769
California	2.64	3,592	Wyoming	3.16	1,820
Nevada	2.21	2,364	Nebraska	3.09	1,382
Washington	2.63	2,245	Minnesota	3.10	1,778
Delaware	1.90	2,248	Missouri	2.55	1,255
New York	2.61	4,150	Vermont	2.46	1,378
Rhode Island	2.02	2,374	Florida	2.15	1,291
New Jersey	2.88	3,281	South Dakota	4.14	1,107
Michigan	2.30	2,100	New Hampshire	2.24	1,793
Oregon	2.53	1,895	Virginia	2.09	862
Illinois	2.30	2,271	Texas	2.71	1,395
Ohio	2.43	2,042	Arizona	3.55	2,168
Massachusetts	2.20	2,454	Oklahoma	3.69	1,221
Maryland	1.78	1,595	Louisiana	2.71	1,256
Indiana	2.69	1,772	West Virginia	3.43	1,316
Pennsylvania	2.49	2,056	New Mexico	4.27	1,503
Maine	2.20	1,222	Tennessee	2.51	800
Montana	3.30	1,754	Georgia	2.45	819
Utah	3.63	1,742	North Carolina	2.84	922
Kansas	3.63	1,520	Kentucky	2.45	732
Wisconsin	2.63	1,909	Alabama	2.74	748
Iowa	3.15	1,526	South Carolina	2.86	1,046
North Dakota	3.41	910	Arkansas	2.37	509
			Mississippi	3.41	448

Source: An Inventory of Public School Expenditures in the United States, by John K. Norton and Eugene S. Lowles, Report of the Cooperative Study of Public School Expenditures, American Council on Education.

TABLE XIII.—*Percentage of population having no school years completed and median school years completed, by States, ranked in order of per capita income for 1943 from highest to lowest*

State	Education [1]		State	Education [1]	
	Percent of population having no school years completed	Median school years completed		Percent of population having no school years completed	Median school years completed
United States average	3.7	8.4	Idaho	.9	8.9
Connecticut	4.7	8.5	Colorado	2.3	8.9
California	2.5	9.9	Wyoming	1.9	9.2
Nevada	2.9	9.6	Nebraska	1.0	8.8
Washington	1.2	9.1	Minnesota	1.4	8.5
Delaware	3.3	8.5	Missouri	1.9	8.3
New York	5.6	8.4	Vermont	1.6	8.8
District of Columbia	1.6	10.3	Florida	4.0	8.3
Rhode Island	5.2	8.3	South Dakota	1.2	8.5
New Jersey	4.3	8.4	New Hampshire	2.4	8.7
Michigan	2.4	8.6	Virginia	5.4	7.7
Oregon	1.0	9.1	Texas	5.3	8.5
Illinois	2.7	8.5	Arizona	8.9	8.6
Ohio	2.0	8.6	Oklahoma	2.5	8.4
Massachusetts	4.1	9.0	Louisiana	12.8	6.6
Maryland	2.8	8.0	West Virginia	3.7	7.8
Indiana	1.3	8.5	New Mexico	10.7	7.9
Pennsylvania	4.1	8.2	Tennessee	4.2	7.7
Maine	2.1	8.9	Georgia	6.5	7.1
Montana	1.6	8.7	North Carolina	5.8	7.4
Utah	1.5	10.2	Kentucky	4.1	7.7
Kansas	1.1	8.7	Alabama	6.7	7.1
Wisconsin	1.7	8.3	South Carolina	7.9	6.7
Iowa	.6	8.7	Arkansas	3.9	7.5
North Dakota	2.1	8.3	Mississippi	6.6	7.1

[1] Based on 1940 census data for persons 25 years and over.

Source: Social Security Board, Bureau of Research and Statistics, Division of Coordination Studies, September 1945.

TABLE XIV.—*Families and children in families, by family unit income (nonfarm families, 1940, with only wage or salary income in 1939)*

Family unit income	United States			Family unit income	United States		
	Percent of families	Percent of children	Cumulative percent of children		Percent of families	Percent of children	Cumulative percent of children
Total	100.0	100.0		$300 to $449	19.4	20.3	68.1
				$450 to $599	15.1	12.7	80.8
Under $150	11.0	15.8	15.8	$600 to $749	17.4	7.9	88.7
$150 to $299	17.0	32.0	47.8	$750 and over	20.1	11.3	100.0

Source: Social Security Bulletin, vol. 8, No. 1, p. 6, January 1945.

TABLE XV.—*Selective service rejection rates as per 100 registrants, by States, ranked in order of per capita income for 1943, from highest to lowest*

State	Selective service rejection rates [1]	State	Selective service rejection rates [1]
United States average	39.2	Idaho	29.3
Connecticut	31.0	Colorado	43.1
California	35.6	Wyoming	29.1
Nevada	32.9	Nebraska	31.6
Washington	28.2	Minnesota	35.7
Delaware	31.9	Missouri	37.2
New York	37.7	Vermont	45.7
District of Columbia	45.4	Florida	53.2
Rhode Island	37.3	South Dakota	31.1
New Jersey	33.0	New Hampshire	38.9
Michigan	37.4	Virginia	52.2
Oregon	24.4	Texas	42.9
Illinois	32.9	Arizona	39.0
Ohio	35.8	Oklahoma	40.6
Massachusetts	37.7	Louisiana	52.6
Maryland	37.4	West Virginia	37.7
Indiana	36.2	New Mexico	40.1
Pennsylvania	31.8	Tennessee	44.7
Maine	37.5	Georgia	51.5
Montana	36.5	North Carolina	56.8
Utah	26.1	Kentucky	45.4
Kansas	25.4	Alabama	49.0
Wisconsin	38.9	South Carolina	55.9
Iowa	33.1	Arknasas	55.9
North Dakota	33.8	Mississippi	45.0

[1] Rejection rates per 100 registrants examined at local boards and induction stations, February to August 1943.

Source: Social Security Board, Bureau of Research and Statistics, Division of Coordination Studies, September 1945.

TABLE XVI.—*Per capita retail sales for 1940, by States, ranked in order of per capita income for 1943, from highest to lowest*

State	Per capita retail sales	State	Per capita retail sales
United States average	$319	Idaho	$335
Connecticut	420	Colorado	364
California	462	Wyoming	398
Nevada	564	Nebraska	302
Washington	385	Minnesota	364
Delaware	414	Missouri	291
New York	414	Vermont	343
Rhode Island	386	Florida	324
New Jersey	380	South Dakota	263
Michigan	347	New Hampshire	373
Oregon	406	Virginia	235
Illinois	362	Texas	281
Ohio	353	Arizona	325
Massachusetts	403	Oklahoma	220
Maryland	340	Louisiana	206
Indiana	311	West Virginia	212
Pennsylvania	335	New Mexico	237
Maine	332	Tennessee	208
Montana	397	Georgia	200
Utah	311	North Carolina	177
Kansas	263	Kentucky	183
Wisconsin	339	Alabama	154
Iowa	324	South Carolina	175
North Dakota	243	Arkansas	153
		Mississippi	129

Source: Committee on Education, U. S. Chamber of Commerce, Education and Investment in People.

TABLE XVII.—*The "standard of living" model shares of incomes and expenditures*

[Billion dollars, 195X at 1941 price levels]

	Adjusted gap model	"Standard of living" model
Incomes from gross national product:		
1. Total incomes	170.0	170.0
2. Deduct business tax and nontax liabilities	12.5	12.5
3. Deduct business reserves, etc	9.5	9.5
4. Equals net national income	148.0	148.0
5. Deduct corporate undivided profits	2.5	2.5
6. Deduct contributions to social insurance funds	3.9	3.9
7. Add Government transfer payments	4.3	4.3
8. Equals income payments to individuals	145.9	145.9
9. Deduct personal tax and nontax payments	15.5	15.5
10. Equals disposable income of individuals	130.4	130.4
11. Deduct savings of individuals	16.3	12.0
12. Equals individuals' demand for goods and services	114.1	118.4
Expenditures for gross national product:		
13. Total expenditures	170.0	170.0
14. Deduct Government share	25.4	27.6
15. Deduct business share	22.0	24.0
16. Remainder goods and services that must be bought by individuals	122.6	118.4
17. Deficiency in total expenditures (lines 16—12)	8.5	----
Government revenues and expenditures:		
18. Business taxes (line 2)	12.5	12.5
19. Personal taxes (line 9)	15.5	15.5
20. Contributions to social insurance fund (line 6)	3.9	3.9
21. Subtotal, current revenues	31.9	31.9
22. Expenditures for goods and services (line 14)	25.4	27.6
23. Transfer payments to individuals (line 7)	4.3	4.3
24. Subtotal, current expenditures	29.7	31.9
25. Government surplus (s) or deficit (d) (lines 21—24)	(s) 2.2	----
Savings and capital formation:		
26. Private savings (lines 3+5+11)	28.3	24.0
27. Private capital formation (line 15)	22.0	24.0
28. Excess or deficit of private savings (lines 26—27)	6.3	12.0
29. Business deficit (loans, credit, etc.) (lines 15—3—5)	10.0	----

Source: National Planning Association, Planning Pamphlet No. 43, p. 44.

TABLE XVII–A.—*The "standard of living" model, balance of incomes and expenditures*

[Billion dollars, 195X at 1941 price levels]

	Sources	Disposition
INDIVIDUALS		
Income:		
1. Disposable income	130.4	
2. Balancing item: current savings	12.0	
3. Income used	118.4	
Expenditures:		
4. Total expenditures	----	118.4
BUSINESS		
Income:		
5. Corporate undivided profits	2.5	
6. Reserves, etc	9.5	
7 Subtotal, current income	12.0	
8. Balancing item (loans, credit, etc.)	12.0	
9. Total income	24.0	
Expenditures:		
10. Residential construction	----	6.0
11. Producers' plant and equipment	----	15.0
12. Net increase in inventories	----	1.0
13. Net export balance	----	2.0
14. Total expenditures	----	24.0
STATE AND LOCAL GOVERNMENT		
Income:		
15. Personal tax and nontax payments	2.0	
16. Business tax and nontax liabilities	8.0	
17. Contributions to social insurance funds	.2	
18. Subtotal	10.2	
19. Transfer payments (deduct)	.6	
20. Subtotal, current income	9.6	
21. Balancing item (loans, credit, etc.)	----	
22. Total income	9.6	
Expenditures:		
23. Capital outlays	----	9.6
24. Other activities	----	
25. Total expenditures	----	9.6
FEDERAL GOVERNMENT		
Income:		
26. Personal tax and nontax payments	13.5	
27. Business tax and nontax liabilities	4.5	
28. Contributions to social insurance funds	3.7	
29. Subtotal	21.7	
30. Transfer payments (deduct)	3.7	
31. Subtotal, current income	18.0	
32. Balancing item (balanced)	----	
33. Total, income used	18.0	
Expenditures:		
34. Military	----	6.0
35. Interest	----	5.4
36. Capital outlays, nonmilitary	----	2.6
37. Other activities	----	4.0
38. Total expenditures	----	18.0
39. Total, all incomes and expenditures	170.0	170.0

Source: National Planning Association, Planning Pamphlet No. 43, p. 46.

TABLE XVIII.—*Consumer buying power (1946 projection)*

[Billions of dollars]

		Amount
National income 1944 (payments to individuals) [1]		153
Adjustments which will be made by 1946: Loss of workers' income:		
Overtime ends	−15	
Demobilization of servicemen	−13	
Change to lower paid jobs	−3	
		−31
Gain in workers' income:		
Soldiers return to jobs [2]	+7	
Veterans' payments, unemployment compensation, etc	+1	
		+8
		130
Consumer income in postwar (1946):		
Taxes	−10	
Normal savings	−15	
		−25
Consumer buying power		105

[1] U. S. Commerce Department, based on first half 1944.
[2] Net increase of 3,000,000 in civilian employment to create full employment.

NOTE.—Deduct (−); add (+).
Source: Preliminary figures of U. S. Department of Commerce.

TABLE XIX.—*Average hourly entrance rates of adult male common laborers in large cities (spring and summer, 1943): Manufacturing (selected industries)*

Region, State and city	All industries	Total all manufacturing [1]	Blast furnaces, steel works, and rolling mills	Ferrous foundries	Machinery (except electrical)	Meat packing	Building construction	Public utilities
Total all cities	$0.707	$0.703	$0.757	$0.675	$0.674	$0.673	$0.826	$0.642
NEW ENGLAND								
Massachusetts:								
Boston and Lynn	.647	.617	[2]	.585	.587	-------	.959	.715
Lowell	.646	.621	-------	.596	.611	-------	.821	.714
New Bedford and Fall River	.585	.531	[2]	.582	.582	-------	.796	.669
Worcester	.692	.691	.780	.722	.639	-------	.708	.723
Rhode Island: Providence	.658	.651	-------	.579	.570	-------	.820	.717
Connecticut:								
Bridgeport	.671	.664	-------	.635	.680	-------	1.042	.723
Hartford	.612	.605	-------	.572	.613	-------	.768	.770
New Haven	.621	.613	-------	.607	.608	-------	.929	.744
Waterbury	.682	.679	-------	.645	.638	-------	.887	.762
CENTRAL ATLANTIC								
New York:								
New York and Yonkers	.655	.644	[2]	.675	.544	[2]	.954	.667
Buffalo	.697	.693	.780	.698	.650	.630	.909	.679
Rochester	.694	.687	-------	[2]	.612	[2]	.850	.697
Albany and Schenectady	.762	.762	-------	.617	.544	.647	.831	.589
Syracuse	.636	.611	[2]	.619	.587	.649	.806	.638
Utica	.659	.656	-------	.558	.615	-------	.839	.685
New Jersey:								
Newark, Elizabeth, Jersey City, and Paterson	.667	.662	.650	.650	.583	.725	1.043	.687
Trenton	.725	.724	.780	.550	.678	-------	.889	.662
Pennsylvania:								
Philadelphia, also Camden, N. J.	.714	.698	.727	.677	.610	.665	.828	.631
Pittsburgh	.762	.765	.782	.778	.755	.653	.877	.682
Allentown	.665	.707	[2]	[2]	.577	-------	.766	.586
Erie	.667	.685	[2]	.602	.644	-------	.797	.708
Reading	.659	.662	[2]	.699	.635	-------	.656	.614
Scranton	.636	.597	-------	-------	.616	-------	.624	.694
Youngstown	.776	.777	.780	-------	.744	-------	.759	.760
Maryland: Baltimore	.681	.672	.780	.587	.577	.607	.745	.666
Delaware:								
Wilmington	.732	.736	-------	.646	.599	-------	.741	.650
Washington, D. C.	.723	[2]	-------	-------	-------	-------	.860	.588

See footnotes at end of table.

TABLE XIX.—*Average hourly entrance rates of adult male common laborers in large cities (spring and summer, 1943): Manufacturing (selected industries)*—Continued

Region, State and city	All industries	Total all manufacturing [1]	Blast furnaces, steel works, and rolling mills	Ferrous foundries	Machinery (except electrical)	Meat packing	Building construction	Public utilities
SOUTHERN STATES								
Virginia:								
Norfolk	$0.505	$0.526	-------	$0.383	-------	-------	$0.534	$0.446
Richmond	.471	.472	[2]	[2]	[2]	$0.401	.490	.455
North Carolina: Charlotte	.370	.376	-------	.402	$0.377	[2]	.417	.345
Tennessee:								
Memphis	.428	.423	-------	.400	-------	[2]	.436	.441
Chattanooga	.442	.436	-------	.448	.393	.347	.576	.496
Knoxville	.461	.414	[2]	[2]	[2]	[2]	.553	.472
Nashville	.482	.480	-------	.346	.390	[2]	.497	.482
Georgia:								
Atlanta	.440	.430	[2]	.394	.410	.374	.467	.469
Savannah	.602	.612	-------	[2]	-------	-------	.499	.417
Alabama:								
Birmingham	.522	.536	$0.603	.497	.398	.403	.536	.420
Mobile	.614	.611	-------	[2]	[2]	[2]	.650	.518
Florida:								
Jacksonville	.543	.548	-------	[2]	[2]	[2]	.553	.435
Miami	.569	.576	-------	[2]	-------	[2]	.624	.505
Tampa	.560	.572	-------	-------	-------	.388	.500	.457
Louisiana:								
New Orleans	.572	.583	-------	[2]	[2]	.443	.625	.472
Shreveport	.421	.438	-------	-------	[2]	-------	.478	.365
MIDDLE WEST								
Michigan:								
Detroit	.880	.880	.789	.827	.811	.679	.908	.855
Flint	[2]	[2]	-------	[2]	[2]	-------	.850	.757
Grand Rapids	.609	.602	[2]	.587	.682	-------	.719	.624
Lansing	.780	.781	-------	[2]	.813	-------	.838	.663
Ohio:								
Cleveland	.735	.726	.778	.679	.725	-------	.988	.755
Cincinnati	.566	.558	-------	.560	.571	.571	.739	.593
Columbus	.621	.617	-------	.669	.680	.648	.699	.583
Toledo	.790	.789	[2]	.766	.799	-------	.925	.680
Akron	.745	.744	-------	.679	.660	-------	.845	.716
Canton	.745	.743	.780	.711	.754	[2]	.850	.658
Dayton	.706	.708	-------	.681	.629	-------	.751	.611
Indiana:								
Indianapolis	.649	.645	[2]	.577	.606	.697	.803	.607
Fort Wayne	.735	.724	[2]	.642	.716	.573	.831	.778
Gary	.783	[2]	.780	-------	-------	-------	1.099	500
South Bend	.802	.805	[2]	.630	.668	-------	.977	.605
Wisconsin: Milwaukee	.672	.674	.684	.653	.662	.720	1.000	.587
Illinois:								
Chicago	.708	.689	.791	.732	.677	.716	1.097	.750
Evansville	.693	.693	-------	[2]	.712	[2]	.700	.592
Peoria	.738	.735	-------	.596	.749	.692	1.000	.725
Springfield	.639	.636	-------	.548	.616	-------	.793	.689
Kentucky: Louisville	.577	.556	-------	.488	.546	.487	.690	.494
Minnesota:								
Minneapolis and St. Paul	.706	.695	-------	.658	.703	.700	.902	.595
Duluth	.755	.758	.754	[2]	[2]	[2]	.790	[2]
Iowa: Des Moines	.603	.591	-------	[2]	.598	[2]	.693	.680
Missouri:								
Kansas City (also Kansas)	.694	.702	[2]	-------	.555	.685	.810	.604
St. Louis	.603	.587	.655	.666	.577	.712	.884	.629
Arkansas: Little Rock	.398	.398	-------	-------	-------	[2]	.400	.424
Nebraska: Omaha	.620	.612	-------	.599	.532	.690	.677	.621
Kansas: Wichita	.542	.537	-------	-------	.545	.563	.647	.520
SOUTHWEST								
Oklahoma:								
Oklahoma City	.580	.579	-------	.471	.474	-------	.588	.571
Tulsa	.586	.589	[2]	.564	.545	-------	.610	.500
Texas:								
Dallas	.579	.593	-------	-------	-------	.543	.506	.487
Houston	.598	.603	[2]	-------	.430	.493	.598	.545
San Antonio	.455	.418	-------	-------	-------	[2]	.471	.462
El Paso	.471	.506	-------	-------	[2]	-------	.481	.400
Fort Worth	.573	.578	-------	.544	.490	.625	.508	.438
FAR WEST								
Colorado: Denver	.622	.613	-------	.627	.605	.683	.792	.551
Utah: Salt Lake City	.686	.619	-------	-------	-------	[2]	.766	.674
Washington:								
Seattle	.917	.858	.855	.854	.804	[2]	1.080	.887

See footnotes at end of table.

TABLE XIX.—*Average hourly entrance rates of adult male common laborers in large cities (spring and summer, 1943): Manufacturing (selected industries)*—Con.

Region, State and city	All industries	Total all manufacturing [1]	Blast furnaces, steel works, and rolling mills	Ferrous foundries	Machinery (except electrical)	Meat packing	Building construction	Public utilities
FAR WEST—continued								
Washington—Continued								
Spokane	$0.893	$0.767	-------	-------	$0.790	(2)	$0.991	$0.747
Tacoma	.895	.879	-------	$0.845	.844	(2)	1.100	.910
Oregon: Portland	.892	.883	(2)	.866	.926	-------	.963	.900
California:								
Los Angeles and Long Beach	.761	.761	$0.780	.742	.741	$0.756	.854	.632
San Francisco and Oakland	.880	.878	(2)	.858	.888	.752	.961	.722
Sacramento	.825	.801	(2)	-------	.730	-------	.949	(2)
San Diego	.751	.746	-------	(2)	.743	-------	.865	.761

[1] Includes industries for which data are not presented separately.
[2] Data insufficient to justify presentation of an average.
[3] Average not shown to avoid disclosing information for one large firm operating several plants in this city.

Source: Bureau of Labor Statistics, Bulletin No. 775, Hourly Entrance Rates of Common Laborers in Large Cities, Spring and Summer, 1943.

TABLE XX.—*Average hourly wage rates* [1]

23 SELECTED OCCUPATIONS IN 25 URBAN AREAS, SPRING-SUMMER 1943

(NOTE.—The averages presented below are the basic figures used in constructing the manufacturing index in Intercity Variations in Wage Levels, published in the August 1944 issue of the Monthly Labor Review, pp. 237-250. They are based on wage studies covering the characteristic industries in each area made by the various regional offices of the Bureau to provide information for use by the War Labor Board in wage stabilization proceedings. For most of the occupations, partly because of the varying industrial composition of the respective cities, and partly because of the individual requirements of the studies from which data were compiled, the averages are based on a variety of industrial combinations. In consequence, the averages represent combinations of data for industry branches usually presented separately by the Bureau, so that the figures are not entirely suitable for collective bargaining or wage stabilization purposes. Although the influence of varying industrial composition has not been eliminated from the figures, the averages are believed dependable to indicate roughly the level of wages in the localities studied.)

Occupation, class, and sex	All areas combined	Atlanta	Baltimore	Birmingham	Boston	Buffalo	Chicago	Cincinnati	Cleveland
Metalworking:									
Assemblers, bench:									
Class A, male	$1.13	$1.07	$1.01	$0.92	$0.97	$0.94	$1.04	$0.97	$1.17
Class B, male	1.00	.55	.89	.78	.80	.84	.86	.87	1.03
Class C, male	.85	.59	.65	(2)	.69	.74	.75	.73	.86
Class B, female	.87	(2)	(2)	(2)	.57	(2)	.71	.75	.99
Class C, female	.68	(2)	.68	(2)	.56	.65	.62	.72	.73
Coremakers, hand, bench:									
Class A, male	1.22	.93	1.06	.96	1.13	1.21	1.21	1.13	1.31
Class B, male	1.10	.49	.86	.62	.87	.90	1.05	.92	1.18
Drill-press operators, single spindle:									
Class A, male	1.09	(2)	.98	.77	.85	.99	.99	.85	1.15
Class B, male	.95	(2)	.84	.72	.75	.79	.89	.88	1.01
Class C, male	.84	(2)	.69	.59	.64	.78	.70	.84	.84
Class C, female	.72	(2)	.68	(2)	.55	.65	.65	.84	.73
Electricians, maintenance:									
Class A, male	1.25	1.00	1.19	.99	1.12	1.19	1.24	1.12	1.26
Class B, male	1.03	(2)	.94	.85	.87	1.01	1.00	.96	1.06
Engine-lathe operators:									
Class A, male	1.22	.97	1.13	1.10	.98	1.10	1.16	1.03	1.20
Class B, male	1.06	.71	.90	.83	.85	.93	.97	.85	1.04
Class C, male	.95	(2)	.71	(2)	.71	.71	.95	.76	.84
Class C, female	.85	(2)	.64	(2)	.60	.62	.79	.88	.75
Shake-out men (foundry), male	.87	.41	.67	.52	.69	.96	.82	.79	.85
Tool and die makers:									
Class A, male	1.48	1.20	1.30	1.19	1.18	1.37	1.45	1.29	1.46
Class B, male	1.23	(2)	1.11	(2)	.97	1.15	1.23	1.09	1.25
Food products:									
Bakers, all-round (bench hands), male	.98	.68	.79	.58	(2)	.93	1.01	.89	.95
Bread wrappers, male	.79	.56	.60	.57	(2)	.79	.75	.68	.80
Bread wrappers, female	.61	.46	.40	(2)	(2)	.62	.53	.57	.63
Miscellaneous industries:									
Janitors, male	.75	.37	.61	.50	.61	.75	.72	73	.83
Janitors, female	.71	(2)	.58	(2)	.54	.68	.66	.62	.69
Truckers, hand, male	.75	.45	.64	.46	.63	.80	.71	.66	.84

TABLE XX.—*Average hourly wage rates* [1]—Continued

Occupation, class and sex	Columbus	Dallas	Detroit	Houston	Indianapolis	Kansas City	Los Angeles	Louisville	Milwaukee
Metalworking:									
Assemblers, bench:									
Class A, male	$0.63	(2)	$1.32	$0.99	$1.00	$1.06	$1.00	$1.13	$1.16
Class B, male	.88	$0.66	1.20	.93	.99	.89	.81	.92	1.04
Class C, male	.77	.54	1.11	.68	.85	.74	.75	.63	.87
Class B, female	.87	(2)	1.07	(2)	.77	.83	.73	(2)	.79
Class C, female	.64	(2)	.99	.65	.66	.70	.68	.61	.64
Coremakers, hand, bench:									
Class A, male	1.21	(2)	1.28	1.14	.98	1.00	1.25	.99	1.20
Class B, male	1.20	.62	1.20	.88	.91	(2)	.96	.79	1.02
Drill-press operators, single spindle:									
Class A, male	.99	.96	1.30	1.06	.95	.98	1.13	1.10	1.05
Class B, male	.90	.75	1.03	.80	.87	.81	.82	.84	1.01
Class C, male	.76	.58	.91	.69	.75	.85	.71	.65	.88
Class C, female	.75	(2)	.78	.67	.66	.64	.72	.64	.74
Electricians, maintenance:									
Class A, male	1.09	1.13	1.35	(2)	1.19	1.12	1.29	1.21	1.09
Class B, male	.87	.99	1.22	.90	.98	1.00	1.02	1.04	.98
Engine-lathe operators:									
Class A, male	1.05	.79	1.43	1.22	1.20	(2)	1.25	1.17	1.13
Class B, male	.88	.80	1.27	.99	1.02	.92	1.04	1.02	1.02
Class C, male	.74	.74	1.14	.63	.88	(2)	.94	.75	.89
Class C, female	.80	(2)	.97	.54	.70	(2)	(2)	.71	.76
Shake-out men (foundry) male	1.03	.48	1.14	.58	.82	.78	.81	.70	.78
Tool and die makers:									
Class A, male	1.27	1.20	1.62	1.33	1.41	1.34	1.50	1.28	1.28
Class B, male	1.08	.88	1.45	1.18	1.17	1.15	1.25	1.08	1.15
Food products:									
Bakers, all-round (bench hands), male	.74	.77	1.05	.80	.83	.99	.98	.73	.78
Bread wrappers, male	.71	.68	.82	.61	.77	.64	.90	.68	.75
Bread wrappers, female	.63	.58	.73	.55	.61	.60	.83	.55	.50
Miscellaneous industries:									
Janitors, male	.70	.50	.90	.57	.71	.67	.68	.58	.74
Janitors, female	.65	.30	.86	.30	.59	.55	.66	.61	.63
Truckers, hand, male	.77	.58	.94	.43	.74	.74	.85	.61	.74

Occupation, class, and sex	Minneapolis-St. Paul	Philadelphia	Pittsburgh	Portland	Providence	St. Louis	San Francisco	Seattle	Toledo
Metalworking:									
Assemblers, bench:									
Class A, male	$1.21	$1.20	$1.23	$1.23	$1.15	$0.87	$1.19	$1.02	$1.19
Class B, male	.95	1.04	1.10	1.12	.87	.76	.97	.93	1.27
Class C, male	.71	.83	.92	(2)	.72	.71	.75	(2)	1.29
Class B, female	.67	.95	(2)	.88	.66	(2)	.81	.83	.85
Class C, female	.61	.74	.83	(2)	.61	(2)	.73	(2)	.88
Coremakers, hand, bench:									
Class A, male	1.08	1.36	1.23	1.25	1.24	1.15	1.27	1.21	1.24
Class B, male	1.05	1.38	1.05	1.23	.77	.89	.88	(2)	.98
Drill-press operators, single spindle:									
Class A, male	1.07	1.15	1.23	1.23	.97	(2)	1.12	1.22	1.38
Class B, male	.87	.97	1.12	1.11	.84	.69	1.06	1.07	1.26
Class C, male	.66	.82	.81	1.04	.75	.51	1.06	1.05	1.30
Class C, female	.51	.81	.61	(2)	.71	(2)	.76	(2)	1.05
Electricians, maintenance:									
Class A, male	1.37	1.15	1.32	1.22	1.03	1.31	1.33	(2)	1.26
Class B, male	.95	.99	.99	(2)	.88	.92	1.06	(2)	1.04
Engine-lathe operators:									
Class A, male	1.07	1.26	1.25	1.29	1.01	1.02	1.33	1.30	1.24
Class B, male	.93	1.03	1.10	1.22	.87	.86	1.25	1.21	1.19
Class C, male	.84	.80	.93	1.14	.71	.77	1.08	(2)	1.30
Class C, female	.60	.73	(2)	(2)	.66	(2)	(2)	(2)	1.02
Shake-out men (foundry), male	.82	.79	.81	.94	.67	.73	.90	.91	.96
Tool and die makers:									
Class A, male	1.38	1.41	1.37	1.40	1.33	1.40	1.52	1.43	1.50
Class B, male	1.10	1.11	1.19	1.24	.93	1.12	1.35	(2)	1.33
Food products:									
Bakers, all-round (bench hands), male	.86	.94	1.00	1.16	(2)	1.07	1.18	1.5	.85
Bread wrappers, male	.80	.83	.72	1.03	(2)	.68	1.08	1.00	.86
Bread wrappers, female	.82	(2)	.62	(2)	(2)	(2)	.66	(2)	.74
Miscellaneous industries:									
Janitors, male	.71	.69	.73	.83	.63	.55	.83	.85	.85
Janitors, female	.65	.59	.72	.67	.54	.51	.74	(2)	.71
Truckers, hand, male	.77	.70	.82	.89	.67	.62	.90	.97	.90

See footnotes at end of table.

TABLE XX.—*Average hourly wage rates* [1]—Continued

9 SELECTED OCCUPATIONS IN 29 URBAN AREAS, SPRING-SUMMER, 1943

(NOTE.—The averages presented below are the basic figures used in constructing the nonmanufacturing index in Intercity Variations in Wage Levels, published in the August 1944 issue of the Monthly Labor Review, pp. 237–250. They are based on wage studies covering the characteristic industries in each area made by the various regional offices of the Bureau to provide information for use by the War Labor Board in wage stabilization proceedings. For the four occupations in the miscellaneous industries group, partly because of the varying industrial composition of the respective cities, and partly because of the individual requirements of the studies from which data were compiled, the averages are based on a variety of industrial combinations. In consequence, the averages represent combinations of data for industry branches usually presented separately by the Bureau, so that the figures are not entirely suitable for collective bargaining or wage stabilization purposes. Although the influence of varying industrial composition has not been eliminated from the figures, the averages are believed dependable to indicate roughly the level of wages in the localities studied)

Area	Financial institutions paying and receiving tellers		Power laundries			Miscellaneous industries			
						Elevator operators, passenger			
	Male	Female	Feeders (flat-work catchers, and shakers), female	Markers, female	Washers, male	Male	Female	File clerks, class B, female	Switchboard operators, female
All areas combined	$1.06	$0.73	$0.39	$0.45	$0.72	$0.65	$0.48	$0.51	$0.56
Baltimore	1.02	.67	.33	.38	.63	.49	.49	.48	.48
Boston	1.11	.71	.38	.42	.62	.49	.41	.50	.57
Buffalo	1.14	.74	.48	.55	.68	.33	.47	.56	.69
Chicago	1.00	.70	.42	.52	.72	.74	(2)	.53	.58
Cincinnati	.98	.73	.40	.44	.68	.55	.41	.44	.35
Cleveland	1.09	.74	.41	.49	.77	.58	.52	.58	.56
Columbus	1.05	.69	.34	.42	.71	.43	.41	.55	.50
Dallas	.97	.61	.25	.35	.47	.42	.38	.46	.50
Denver	1.00	.69	.34	.39	.63	.40	.44	.43	.47
Detroit	1.13	.77	.42	.46	.87	.61	.50	.58	.75
Houston	1.08	.74	.26	.34	.56	.45	.42	.45	.48
Indianapolis	.97	.72	.39	.45	.69	.46	.41	.53	.51
Kansas City	.96	.71	.30	.37	.58	(2)	.34	.39	.55
Los Angeles	1.00	.69	.46	.55	.77	.56	.51	.60	.54
Louisville	.91	.60	.33	.39	.67	.39	.36	.43	.44
Memphis	1.10	.76	.20	.30	.39	.41	.28	.41	.45
Milwaukee	1.17	.75	.42	.45	.88	.54	.45	.50	.51
Minneapolis-St. Paul	1.00	.67	.39	.42	.69	.53	.46	.50	.52
New Orleans	.92	.63	.21	.28	.49	.41	.35	.46	.43
Philadelphia	1.02	.67	.37	.42	.72	.63	.49	.49	.60
Pittsburgh	1.15	.68	.36	.43	.81	.69	.53	.45	.63
Portland	1.02	.79	.48	.53	1.01	(2)	.55	.52	.61
Providence	1.10	.72	.41	.45	.73	.42	.43	(2)	.51
St. Louis	1.03	.65	.31	.35	.53	.47	.46	.44	.50
San Antonio	.90	.68	.20	.29	.44	.33	.36	.45	.41
San Francisco	1.26	.89	.52	.75	1.02	.66	.61	.61	.63
Seattle	1.21	.82	.53	.69	1.13	(2)	.57	.58	.66
Toledo	1.06	.66	.41	.44	.73	.50	.42	.48	.61
Washington	1.17	.78	.37	.47	.63	.47	.48	.54	.52

[1] Exclusive of premium pay for overtime and night shift work.
[2] Data not available.

Source: U. S. Department of Labor, Bureau of Labor Statistics, Division of Wage Analysis, Washington, Sept. 5, 1944.

TABLE XXI.—*Indexes and rank of 31 urban areas, by level of wage rates in selected occupations, spring-summer of 1943*

Area	Indexes (average, all areas=100)		Rank of area, based on index [1]	
	Manufacturing	Nonmanufacturing	Manufacturing	Nonmanufacturing
Detroit, Mich	131	116	1	4
Toledo, Ohio	127	104	2	11
Portland, Oreg	117	121	3	3
Seattle, Wash	116	136	4	1
San Francisco, Calif	114	135	5	2
Pittsburgh, Pa	113	105	6	10
Cleveland, Ohio	111	110	7	8
Philadelphia, Pa	107	103	8	12
Los Angeles, Calif	103	114	9	6
Milwaukee, Wis	102	106	10	9
Indianapolis, Ind	101	100	11	17
Kansas City, Mo	100	88	12	22.5
Buffalo, N. Y	99	115	13.5	5
Chicago, Ill	99	112	13.5	7
Washington, D. C	(2)	102	(2)	13.5
Cincinnati, Ohio	98	101	16	15
Columbus, Ohio	98	95	16	19
Minneapolis-St. Paul Minn	98	100	16	17
Baltimore, Md	94	93	18	20
Denver, Colo	(2)	90	(2)	21
Louisville, Ky	92	86	19.5	24
Providence, R. I	92	102	19.5	13.5
Houston, Tex	90	83	21	25
St. Louis, Mo	87	88	22	22.5
Boston, Mass	86	100	23	17
Birmingham, Ala	78	(2)	24	(2)
Dallas, Tex	76	80	25	26
New Orleans, La	(2)	73	(2)	27
Memphis, Tenn	(2)	72	(2)	28
Atlanta, Ga	70	(2)	26	(2)
San Antonio, Tex	(2)	70	(2)	29

[1] In cases where 2 or more cities have the same index, the rank given represents the average of the ranks in which they would fall; i. e., 13.5 is the average of ranks 13 and 14, 16 is the average of ranks 15, 16, and 17, etc.
[2] Data not available.

Source: Monthly Labor Review, August 1944.

TABLE XXII.—*Estimated distribution of workers in manufacturing industries, by hourly wage rates, January 1941, June 1943, January 1944, and summer of 1945*

Hourly rate	Summer 1945		January 1944		June 1943		January 1941	
	Number of workers	Percent	Number of workers	Percent	Number of workers	Percent	Number of workers	Percent
Under 40 cents	(1)	(1)	122,000	1	220,000	2	1,580,000	17
40 and under 50 cents	330,000	3	965,000	7	1,050,000	8	1,390,000	14
50 and under 60 cents	1,230,000	10	1,640,000	11	1,640,000	12	1,450,000	15
60 and under 70 cents	1,400,000	12	1,479,000	11	1,530,000	11	1,460,000	15
Under 65 cents	2,380,000	20					5,200,000	54
70 and under 80 cents	1,400,000	12	1,561,000	11	1,700,000	12	1,140,000	12
80 and under 90 cents	1,460,000	12	1,691,000	12	1,820,000	13	870,000	9
90 and under 100 cents	1,450,000	12	1,585,000	12	1,580,000	11	620,000	6
100 and under 110 cents	1,230,000	10	1,291,000	9	1,230,000	9	460,000	5
110 and under 120 cents	1,010,000	8	1,017,000	7	960,000	7	280,000	3
120 and under 130 cents	920,000	7	890,000	7	930,000	7	330,000	4
130 and under 140 cents	620,000	5	672,000	5	470,000	3	(2)	(2)
140 and under 150 cents	410,000	3	384,000	3	320,000	2	(2)	(2)
150 cents and over	740,000	6	538,000	4	370,000	3	(2)	(2)
Total	12,200,000	100	13,656,000	100	13,820,000	100	9,580,000	100

[1] Included with 40–50 cents as numbers are too few.
[2] Included in "120 and under 130 cents" class; the number of workers receiving 120 cents or more was too small to permit further subdivision.

Source: U. S. Bureau of Statistics.

TABLE XXIII.—*Estimated distribution of workers in war and nonwar industries, by hourly wage rates, June 1943*

Hourly rate	War industries [1]		Nonwar industries	
	Number of workers	Percent	Number of workers	Percent
Under 40 cents	120,000	1	100,000	2
40 and under 50 cents	280,000	3	770,000	15
50 and under 60 cents	440,000	5	1,200,000	23
60 and under 70 cents	720,000	8	810,000	16
70 and under 80 cents	1,090,000	13	610,000	12
80 and under 90 cents	1,290,000	15	530,000	10
90 and under 100 cents	1,200,000	14	380,000	7
100 and under 110 cents	950,000	11	280,000	5
110 and under 120 cents	790,000	9	170,000	3
120 and under 130 cents	810,000	10	120,000	2
130 and under 140 cents	390,000	5	80,000	2
140 and under 150 cents	250,000	3	70,000	1
150 cents and over	270,000	3	100,000	2
Total	8,600,000	100	5,220,000	100

[1] Includes the following major industry groups: Iron and steel, electrical equipment, machinery other than electrical, war transportation equipment, nonferrous metals, lumber and timber, chemicals and rubber. All other industry groups, including "miscellaneous industries," are classified as nonwar.

Source: U. S. Bureau of Labor Statistics, Bulletin No. 756, p. 20.

TABLE XXIV.—*Effect of 65-cent-minimum wage, manufacturing industries*

Industry	Number of workers, June 1945			Straight-time hourly wage rate		
	Total	Below minimum		June 1945	With 65 cents minimum	Percent increase
		Number	Percent			
Tobacco	80,000	46,000	58	$0.719	$0.795	11
Lumber and timber	443,000	239,000	54	.774	.840	9
Textiles	1,040,000	489,000	47	.727	.774	6
Apparel	795,000	302,000	38	.828	.864	4
Furniture	329,000	122,000	37	.805	.840	4
Leather	307,000	92,000	30	.819	.845	3
Paper	303,000	91,000	30	.812	.842	4
Food	986,000	276,000	28	.817	.845	3
Stone, clay, and glass	326,000	88,000	27	.874	.903	3
Electrical equipment	657,000	145,000	22	.963	.985	2
Printing and publishing	327,000	69,000	21	1.082	1.103	2
Chemicals, petroleum, and coal	746,000	119,000	16	.960	.974	2
Rubber	186,000	24,000	13	1.062	1.073	1
Nonferrous metals	390,000	31,000	8	.995	1.001	1
Iron and steel	1,553,000	109,000	7	1.026	1.030	(1)
Machinery	1,088,000	44,000	4	1.045	1.048	(1)
Transportation equipment	2,212,000	.....	.....	1.200	1.200	.....
Total industries	[2] 11,768,000	2,286,000	19	.968	.987	2

[1] Less than ½ of 1 percent.

[2] Do not include the miscellaneous manufacturing industries (389,000 workers) as some detailed information for them is not available.

Source: Bureau of Labor Statistics and Division of Research, Office of Price Administration.

TABLE XXV.—*Cost effects of 65 cent minimum wage, manufacturing industries*

[Wage data: Annual rates, on June 1945]

Industry	Additional cost of 65 cents minimum to wage bill	Reduction in wage bill from loss of premium overtime	Loss of overtime less additional cost to wage bill	1944 profits before taxes	Additional cost to wage bill as percent of 1944 profits
					Percent
Tobacco	$14,000,000	$7,000,000	−$7,000,000	$154,000,000	9.1
Lumber and timber	67,000,000	49,000,000	−18,000,000	156,000,000	42.9
Textiles	105,000,000	72,000,000	−33,000,000	871,000,000	12.1
Apparel	55,000,000	18,000,000	−37,000,000	169,000,000	32.5
Furniture	26,000,000	38,000,000	12,000,000	150,000,000	17.3
Leather	18,000,000	26,000,000	8,000,000	120,000,000	15.0
Paper	22,000,000	49,000,000	27,000,000	388,000,000	5.7
Food	65,000,000	142,000,000	77,000,000	1,415,000,000	4.6
Stone, clay, and glass	21,000,000	39,000,000	18,000,000	254,000,000	8.3
Electrical equipment	35,000,000	117,000,000	82,000,000	1,134,000,000	3.1
Printing and publishing	15,000,000	32,000,000	17,000,000	581,000,000	2.6
Chemicals, petroleum, and coal	26,000,000	135,000,000	109,000,000	1,952,000,000	1.3
Rubber	5,000,000	34,000,000	29,000,000	320,000,000	1.6
Nonferrous metal	6,000,000	74,000,000	68,000,000	471,000,000	1.3
Iron and steel	15,000,000	300,000,000	285,000,000	1,485,000,000	1.0
Machinery	9,000,000	262,000,000	253,000,000	2,431,000,000	.4
Transportation equipment	(1)	483,000,000	.....	2,501,000,000	.....
Total, industries	504,000,000	1,877,000,000	890,000,000	14,552,000,000	3.5

[1] Negligible amount.

Source: Wage cost data—Bureau of Labor Statistics; profits data—OPA estimates. Division of Research, Office of Price Administration.

TABLE XXVI.—*Corporate profits in manufacturing and mining, all corporations*

Year	Sales	Profit		Net worth [1]	Before taxes of—		After taxes of—		Turnover ratio—Sales to net worth [1]
		Before taxes	After taxes		Sales	Net worth [1]	Sales	Net worth [1]	
	Billions of dollars				Percent profit				
1939	58.4	3.7	3.0	45.8	6.34	8.08	5.14	6.55	1.28
1940	67.4	5.5	3.9	47.6	8.16	11.55	5.79	8.19	1.42
1941	93.3	10.8	5.7	50.1	11.58	21.56	6.11	11.38	1.86
1942	114.4	12.5	5.3	53.0	10.93	23.58	4.63	10.00	2.16
1943	147.5	16.2	6.2	56.5	10.98	28.67	4.20	10.97	2.61
1944	166.5	17.2	6.4	60.0	10.33	28.67	3.84	10.67	2.77
	Indexes (1939=100)								
1939	100	100	100	100	100	100	100	100	100
1940	115	149	130	104	129	143	113	125	111
1941	160	292	190	109	183	267	119	174	145
1942	196	338	177	116	172	292	90	153	169
1943	253	438	207	123	173	355	82	167	204
1944	285	465	213	131	163	355	75	164	216

[1] End of year.

Source: Sales: Data for 1939–42 from Statistics of Income; data for 1943–44 are estimates based on the relations of sales in 1942 for the OPA sample to total sales for all mining and manufacturing corporations. An adjustment was made to eliminate the effect of renegotiation.

Net worth: Data for 1939–41 from Statistics of Income, adjusted to include returns without balance sheets; data for 1943–44 were obtained by adding estimated retained profits to the net worth at the end of the previous year.

Profits: Data for 1939–42 are from the Statistics of Income; the 1943 figure from 1942 data on basis of the Treasury estimate of 1943 profits of all corporations; 1944 figure on the basis of available samples of 1944 profit experience. Adjustment made to eliminate the effect of renegotiation.

Source: WPB General Economic and Planning Staff, American Industry on War and Transition, 1940–50, p. 43.

TABLE XXVII.—*Indexes of average hourly earnings, output per man-hour, and unit labor cost, all manufacturing industries combined, 1919–41*

[1919=100]

Year	Average hourly earnings [1]	Output per man-hour [2]	Unit labor cost [3]	Year	Average hourly earnings [1]	Output per man-hour [2]	Unit labor cost [3]
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
1919	100.0	100.0	100.0	1931	108.0	185.0	58.4
1920	116.4	110.3	105.5	1932	93.5	178.6	52.4
1921	107.8	120.3	89.6	1933	92.7	189.3	49.0
1922	101.0	132.4	76.3	1934	111.5	197.1	56.6
1923	109.4	130.9	83.6	1935	115.3	207.8	60.5
1924	114.7	139.0	82.5	1936	116.6	209.0	55.8
1925	114.7	148.3	77.3	1937	130.8	206 2	63.4
1926	114.9	153.4	74.9	1938	131.4	210.0	62.6
1927	115.3	158.1	72.9	1939	132.7	228.3	58.1
1928	117.8	165.3	71.3	1940	138.6	239.3	57.9
1929	118.7	172.4	68.9	1941	152.8	246.0	62.1
1930	115.7	176.7	65.5				

[1] Based on 1932–41 hourly earnings data published by the Bureau of Labor Statistics and 1919–31 hourly earnings data estimated by Witt Bowden of the Bureau of Labor Statistics.
[2] Derived from data published in Productivity and Unit Labor Cost in Selected Manufacturing Industries; Bureau of Labor Statistics.
[3] Computed as the quotient of the index of average hourly earnings and the index of output per man hour.

EXHIBIT 77

STATEMENT OF REID ROBINSON, PRESIDENT, INTERNATIONAL UNION OF MINE, MILL AND SMELTER WORKERS, CIO, IN SUPPORT OF S. 1349, OCTOBER 1, 1945

The International Union of Mine, Mill and Smelter Workers regards S. 1349 as an integral part of a necessary program to bring about a really effective transition to a peacetime economy. The other complementary and equally essential aspects of that same program are the Murray full-employment bill, the Kilgore-Forand unemployment-compensation bill, the Wagner-Murray-Dingell bill extending social-security benefits, the equal-pay bill (S. 1178) and the permanent FEPC bill. This is the program by which our course for the future must be guided if we are to achieve a full-employment economy and avoid a reversion to bread lines and apple selling.

Our interest in this legislation is twofold. First, it does directly affect a portion of our membership—a relatively small but nonetheless significant portion. Second, it indirectly affects all our members insofar as it seeks to sustain purchasing power in periods of threatening deflation, thus contributing to the maintenance of demand for products made by our members.

A. SUBSTANDARD WAGES IN MINING AND NONFERROUS METAL INDUSTREIS

The Mine, Mill and Smelter Workers represents about 150,000 workers engaged in mines (other than coal), mills, smelters, refineries, brass mills, fabricating plants, and nonferrous casting shops. In practically all segments of our jurisdiction, the efforts of our union have succeeded in raising minimum rates fairly well above the 65 cents an hour sought in the present bill. There still exist, however, several "sore spots" in which minimum rates have not yet reached this level. These particular spots are a cause for concern to us; they operate as a drag upon the rest of the industry and constitute a perpetual threat to standards achieved there. Instances of such substandard spots within our jurisdiction are (1) iron-ore mining in Southeastern States, (2) nonmetallic mining, and (3) isolated smelters and refineries.

1. *Iron-ore mining.*—In iron-ore mining, virtually all important mines in the southeastern area, comprising the States of Alabama and Georgia, are now organized by our union. The distribution of average hourly earnings, including overtime and incentive earnings in October 1943, among workers in iron ore mining in this area is shown in table 1. The figures are based upon a study made by the Bureau of Labor Statistics and are the latest available information for that industry.

TABLE 1.—*Distribution of workers by average hourly earnings in iron mining in Southeastern States, October 1943*

Average earnings	Number of workers	Percent of total	Cumulative percentages
40 and under 45 cents	247	6.6	6.6
45 and under 50 cents	118	3.2	9.8
50 and under 55 cents	62	1.7	11.5
55 and under 60 cents	0	0	11.5
60 and under 65 cents	96	2.6	14.1
65 and under 70 cents	487	13.0	27.1
70 and under 75 cents	299	8.0	35.1
75 and under 80 cents	323	8.6	43.7
80 and under 85 cents	788	21.0	64.7
85 and under 90 cents	138	3.7	68.4
90 and under 95 cents	7	.2	68.6
95 and under 100 cents	391	10.4	79.0
Over 100 cents	787	21.0	100.0

As shown by the table, slightly over 14 percent of the workers, at the time of the study, averaged less than 64 cents an hour, including overtime and inventeiv premiums. In terms of base rates, there were probably more than 25 percent in the under-65-cent category. Since then, we have succeeded in gaining some slight improvements but today base rates of less than 65 cents are still common in the industry in that area. In October 1943 average hourly earnings for the industry in this section of the country were 80.4 cents, as compared with 102.9 cents in the West, 95.6 cents in the Lake Superior region, and 90.0 cents in the Northeast Region.

2. *Nonmetallic mining.*—Some of the lowest rates found throughout our jurisdiction are those existing in the mining and quarrying of nonmetallic minerals such as limestone and phosphate in the South. Each of these raw chemicals had important wartime uses. Limestone, for example, enters as an important ingredient in many chemical and metallurgical processes; phosphate, similarly, forms the basis of a vast fertilizer industry and has other important chemical uses. The production of these materials suffered considerably in wartime because of manpower shortages arising out of a substandard wage structure.

While no recent studies of wage rates in these fields are available, we know from our own experience, that only a few years ago, rates of as low as 25 and 30 cents an hour were common in that area. Through organization and successive negotiations and War Labor Board cases we have succeeded in raising minimum rates in these fields to present base rates of 50 and 55 cents an hour.

3. *Smelting and refining.*—Wages in smelting and refining of nonferrous metals are, as manufacturing industries go, relatively high. It is all the more surprising, therefore, to find in the copper industry for example, that two of the most financially powerful corporations in the country persist in the payment of substandard wages that are completely out of line with wages paid in the rest of the industry as well as with wages paid by themselves in other parts of the country. In El Paso, Tex., the American Smelting & Refining Co., at its smelter, and the Phelps-Dodge Corp., at its refinery, have similar wage scales based on entrance minimum rates for common labor of 60¼ cents an hour. In 1941 the common labor rate was 40 cents an hour and successive increases since the war have brought this rate up to its present level. There still exists, however, a marked disparity between El Paso and other areas, including the contiguous areas of Arizona and New Mexico. These contiguous areas, until recently, were considered part of the same wage area as the El Paso district. Today, however, the War Labor Board has set $5.88, or 73.5 cents an hour, as the base rates for major operations in New Mexico and Arizona; because of a completely arbitrary and totally illogical geographical differentiation, however, these rates are not applied to El Paso.

The extent of the discrimination practiced against workers in El Paso is made evident by the following tables, showing common labor rates paid in copper smelters and electrolytic refineries throughout the country, including those at El Paso.

TABLE 2.—*Common labor rates paid by copper smelters in the United States*

Company	Location	Common labor rate (hourly), cents
American Smelting & Refining	El Paso, Tex	61.25
Do	Garfield, Utah	80.6
Do	Tacoma, Wash	90.0
Phelps-Dodge Corp	Douglas, Ariz	73.5
Do	Morenci, Ariz	73.5
Do	Clarksdale, Ariz	73.5
International Smelting & Refining	Miami, Ariz	73.5
Do	Tooele, Utah	80.6
Kennecott	Hurley, N. Mex	[1] 73.5

[1] Rate ordered by National War Labor Board and now in process of appeal by company.

TABLE 3.—*Common labor rates paid at electrolytic copper refineries in the United States*

Company	Location	Common labor rate (hourly), cents
American Smelting & Refining	Baltimore, Md	78.5
Do	Barber, N. J	83.5
Anaconda	Great Falls, Mont	90.6
Inspiration	Inspiration, Ariz	73.5
Phelps-Dodge	El Paso, Tex	61.25
Do	Laurel Hill, N. Y	80.6

One other glaring instance of substandard wages in our industry is seen in the Texas Mining & Smelting Co. antimony smelter at Laredo, Tex. After over 2 years of processing of cases before the War Labor Board, wage scales are still far below anything in the industry. This company operates the world's largest antimony smelter. Since March 1, 1942, over 200 of the 400-odd employees at the plant have been paid less than 49 cents an hour. In January 1945 the regional war labor board ordered all rates below 50 cents an hour increased up to 50 cents an hour. More recently the National War Labor Board, on the basis of an appeal by our union, raised the minimum rates to 55 cents an hour. To date, the company has not complied with this order.

By contrast with the rates paid in Laredo, the Coeur D'Alene area, which ranks second to Laredo in the production of antimony in this country, pays 90.5 cents for common labor. The same Texas regional war labor board which set the minimum rate at 50 cents an hour has set the minimum of the common labor bracket for the zinc smelting industry at 78 cents an hour. There is an extremely close similarity between conditions and processes in both of the industries, so much so that only an expert could detect any differences in either raw materials used or in the finished product. The extreme heat in which operations in antimony smelting are performed makes it essential that workers lay off 24 hours between shifts; as a result of this schedule the maximum time that a worker can work in any 1 week is 40 hours for which they receive the unbelievable wage of $18.80, before deductions.

B. EFFECTS OF SUBSTANDARD WAGES ON THE WAR EFFORT

The existence of substandard wage rates, in the instances cited above, was one of the major factors contributing to extreme manpower shortages that hampered production of critically needed minerals and metals during the war. In El Paso, for example, both the A. S. & R. smelter and the Phelps Dodge refinery operated shorthanded throughout most of the war period. Similarly, in limestone and phosphate mining and quarrying, manpower shortages were ever present problems through the war period.

Antimony, even before this country was drawn into the war, was classified as a strategic raw material by the Army and Navy Munitions Board. The most important uses of this metal are in the manufacture of storage batteries, babbit metals employed in bearings and the manufacture of chemicals. The shutting off

of foreign supplies and our dependence upon domestic production made the Texas smelter a key production spot in the war program. The difficulties encountered in securing adequate manpower for this plant—difficulties arising mainly from the obsolete wage structure in existence—finally caused the intervention of both the War Manpower Commission and the War Production Board in an effort to secure expedition of our case before the War Labor Board. After over 2 years of processing, their recent order raising wages is now pending before the Office of Economic Stabilization for their approval.

C. EFFECTS OF SUBSTANDARD WAGES ON THE WORKERS

An abundance of evidence has already been presented at this hearing showing the inadequacy of rates below 65 cents an hour for the maintenance of decent living conditions. The Department of Labor has concluded that a minimum wage of 60 to 80 cents an hour will be necessary to provide a subsistence standard of living for unskilled workers. This union is not prepared to concede that the 65-cent minimum provided for in the bill now under consideration can provide such a standard of living; however, we are willing to support this measure as an important first step toward achieving a more equitable wage structure.

The Bureau of Labor Statistics, in its study Estimated Intercity Differences in the Cost of Living estimated that the cost of living of a 4-person manual workers' family at a maintenance level in Birmingham, Ala., in June 1943, would be $1,590.17, or the equivalent of 80 cents an hour on a 50-week, 40-hour basis. Birmingham is the city closest to the Alabama iron ore area in which our members work. If allowance is made for the increases in the cost of living that have taken place since the date of that study, then the comparable figure for July 1945 would be about $1,697.17, or about 85 cents an hour. The lowest figure for the cost of the maintenance budget for any large city in June, 1943 was $1,496.50 for Mobile, Ala., which figure amounts to about 75 cents an hour on the same 50-week, 40-hour basis.

It has been recognized time and again that the effect of substandard wages is to exact a heavy toll on the physical and mental health of the American people. The Department of Agriculture, reporting on the results of a study of family food consumption in the United States in 1942, conducted by the Bureau of Human Nutrition and Home Economics and the Bureau of Labor Statistics, found that "* * * the average nutritive values of the diets of families in the lower-income groups were below satisfactory levels in several respects in the spring of 1942.

"* * * Not until the income level $1,500–$1,999 was reached did the average values per nutrition unit for the food brought into urban kitchens meet the recommended allowances for the eight dietary essentials considered. Approximately 32 percent of urban families had incomes that were below the level at which the average value of family diets met the recommended allowances for all dietary essentials studied except niacin." [1]

D. SIXTY-FIVE-CENT MINIMUM AS AN AID TO FULL EMPLOYMENT

The workers under our jurisdiction who would be directly affected by an increase in minimum wages to 65 cents an hour, are, as has been stated above, relatively few. Because of what such a minimum would mean in furnishing a prop to our postwar economy, all of our members have a vital interest in this legislation.

The American people have just lived through the most horrible and devastating war in human history. Out of the needs of that war our economy expanded to dimensions never before realized. Our national income rose from 70.8 billion in 1939 to 160.7 billion in 1944. That expansion meant full employment, and despite scarcities and shortages of many items a greater net flow of civilian goods than had been reached in the prewar years. Having seen that a full employment economy is possible, our people insist on nothing less in peacetime. Such an economy will mean greater job opportunity, better health and medical care, better housing, a greater measure of social security and the like.

The realization of such an economy, we know, will depend on the maintenance of an aggregate demand sufficient to support the full flow of goods and services that will be needed. By far, the largest constituent element of aggregate expenditure is private consumption, or what is more generally known as purchasing power.

[1] U. S. Department of Agriculture. Family Food Consumption in the United States, Spring 1942. Miscellaneous Publication No. 550. Spring 1942.

Our members who today enjoy what is sometimes regarded as a relatively high wage in mines, fabricating shops, and die-casting plants, know that their future security hinges on the continued maintenance of high levels of purchasing power. The copper that they last year supplied for munitions must now go into automobiles, refrigerators, and washing machines; the lead that went into bullets and storage batteries must now go into paints and building materials; the zinc that went into brass munition strips must now go into brass and die castings used in numerous civilian goods. The extent to which these metals will continue to be used for such purposes will depend on the effective demand for such goods.

Such demand, we know, cannot come from the much overestimated savings of workers. The Bureau of Labor Statistics, in its study of Income and Spending and Saving of City Families in Wartime found that workers in the $1,000 to $1,500 income classes, during the first 3 months of 1942, instead of saving, were incurring deficits. In order to meet these deficits, they were incurring debts or drawing on past savings. Similarly, Richard A. Lester, economist, in his study for the Committee for Economic Development, found "* * * that at least a quarter, and probably a third, of the wage earners' families in this country had, by 1944, accumulated little, if any, savings in spendable form."

Nor could we rely on the automatic forces of our economic system to bring about a sufficient volume of effective demand. Mainly, such increased demand must come about through increased wage levels and particularly increases in the wage levels of the lower paid income groups. These low-wage groups cannot now afford to purchase most of the products of our highly efficient consumer-goods industries. Substandard workers do not have the money to buy substantial quantities of the goods that use metals and fabricated parts produced by our members.

A modern, electrically equipped six-room house, it has been estimated, contains 745 pounds of copper. One million such homes (which would not begin to fill the need) would require about 372,500 tons of copper, or over 40 percent of our total consumption of copper in the prewar year 1940. Similarly, 6,000,000 autos, a reasonable estimate of what would be needed in a full-employment economy, would require 120,000 tons; 8,000,000 refrigerators, 112,000 tons, and so on for a host of items. These are the very items which are most sensitive to changes in income level.

Because of what this bill would contribute toward a better standard of living and a full-employment economy, it has the full endorsement of the International Union of Mine, Mill, and Smelter Workers.

EXHIBIT 78

PROFITS AND FINANCIAL STATUS OF FOURTEEN REPRESENTATIVE STEAMSHIP COMPANIES, 1938–44

Following tables present the profits and financial standing of 14 representative deep-sea steamship companies for the approximate period 1938–44.

Some of these companies are organized in the NMU, others in the SIU. One—Isthmian—is still unorganized in any union, and is the one large open-shop concern remaining in the deep-sea trades.

Most of the companies listed do a general commercial carrying service. Others, namely Calmar, Isthmian, and Weyerhaeuser, are wholly owned subsidiaries of large producing corporations and are mainly occupied in transporting the products of those corporations.

Taking these figures as representative, they show that the shipping companies have profited handsomely through the war.

Assuming that the companies for which 1944 information is not available did not suffer any decrease in that year, the total assets of the companies grew from about $237,000,000 in 1938 to over $460,000,000 in 1944, or nearly 100 percent. This increase took place in spite of all the ship losses and damage due to enemy action during the war.

"Net worth" means the total value of the stock of a corporation, plus the cash surplus it has accumulated during its years of operation. The net worth of these companies increased during the 6 years since 1938 from about $125,000,000 to $285,000,000, or more than 125 percent.

Net profits after taxes rose from a little over $10,000,000 for 1938 to $32,000,000 for 1944, or more than 200 percent. This increase took place in spite of—

1. Provisions in the companies' charters with the War Shipping Administration providing for recapture of 90 percent of profits over certain operating fees.
2. Federal income taxes.
3. Federal excess-profit taxes.

In the 7 years under consideration, total net profit for these 14 companies amounted to something near $250,000,000.

Dividend payments to stockholders by steamship companies have not been marked by either size or regularity. Such as they are, however, they increased from nearly $4,000,000 in 1938 to over $14,000,000 in 1944, or approximately 250 percent. Dividends paid by these companies in the 7 years totaled around $75,000,000.

In general, the years 1938 to 1941, inclusive, while the war was spreading over Europe, were years of rapid prosperity for the ship companies. The year 1941, just before the United States entered the conflict, saw the heyday of their profit making, with net gains after taxes standing at more than seven times the 1938 figure.

With the United States entrance into the war, the establishment of the War Shipping Administration early in 1942, and the setting of controls over shipping incomes, this war-made prosperity began to taper off. In spite of these controls, however, the companies are still, as has been pointed out, vastly better off than they were at the beginning of the war period.

	1938	1939	1940	1941	1942	1943	1944
AMERICAN EXPORT LINES							
Assets	$9,667,000	$13,363,000	$28,680,000	$40,651,000	$43,437,000	$41,787,000	$42,732,000
Net worth (capital and surplus)	4,060,000	4,893,000	10,089,000	23,007,000	31,119,000	32,689,000	34,383,000
Net profit before taxes	620,000	1,491,000	7,871,000	13,978,000	7,116,000	2,830,000	2,855,000
Net profit after taxes	570,000	1,451,000	7,706,000	13,678,000	6,055,000	1,450,000	2,075,000
Dividends declared	232,000	462,000	499,000	770,000	1,008,000	990,000	988,000
AMERICAN HAWAIIAN STEAMSHIP CO.							
Assets	12,495,000	12,942,000	16,285,000	22,192,000	24,621,000	24,901,000	24,580,000
Net worth (capital and surplus)	8,230,000	8,534,000	10,969,000	11,281,000	18,820,000	11,335,000	11,349,000
Net profit before taxes	746,000	942,000	3,492,000	8,657,000	6,036,000	3,191,000	2,415,000
Net profit after taxes	591,000	773,000	922,000	2,757,000	1,719,000	1,292,000	1,284,000
Dividends declared	438,000	655,000	1,526,000	2,177,000	1,281,000	1,272,000	1,260,000
AMERICAN PRESIDENT LINES, LTD.							
Assets	26,728,000	25,044,000	29,582,000	38,516,000	33,532,000	29,707,000	34,196,000
Net worth (capital and surplus)	1,792,000	1,294,000	4,828,000	8,508,000	9,170,000	10,451,000	15,821,000
Net profit before taxes	[1] 2,847,000	79,000	5,044,000	8,218,000	2,321,000	1,603,000	5,112,000
Net profit after taxes	[1] 2,847,000	79,000	5,044,000	8,218,000	2,308,000	1,603,000	5,541,000
Dividends declared					43,000	171,000	171,000
ATLANTIC GULF & WEST INDIES STEAMSHIP LINES							
Assets	44,604,000	43,420,000	32,898,000	32,034,000	32,845,000	39,314,000	32,624,000
Net worth (capital and surplus)	21,267,000	20,989,000	15,262,000	16,875,000	17,308,000	18,785,000	18,810,000
Net profit before taxes	[1] 841,000	[1] 326,000	650,000	4,177,000	5,439,000	2,832,000	2,665,000
Net profit after taxes	[1] 883,000	[1] 376,000	504,000	2,816,000	3,503,000	2,131,000	1,548,000
Dividends declared				948,000	886,000	821,000	800,000
CALMAR STEAMSHIP CORP. (100 percent controlled by Bethlehem Steel Corporation)							
Assets	3,870,000	4,758,000	6,050,000	8,730,000	10,073,000	[2]	[2]
Net worth (capital and surplus)	3,478,000	3,857,000	4,689,000	5,082,000	3,679,000		
Net profit before taxes	422,000	1,050,000	2,322,000	4,369,000	2,053,000		
Net profits after taxes	338,000	829,000	1,733,000	1,742,000	388,000		
Dividends declared		450,000	900,000	1,350,000	1,800,000		

See footnotes at end of table.

	1938	1939	1940	1941	1942	1943	1944
ISTHMIAN STEAMSHIP CO. (100 percent controlled by United States Steel Corporation)							
Assets	$18,784,000	$20,791,000	$25,156,000	$34,466,000	$41,147,000	(2)	(2)
Net worth (capital and surplus)	16,439,000	17,018,000	18,298,000	19,552,000	19,014,000		
Net profit before taxes	1,215,000	1,185,000	4,289,000	7,362,000	6,887,000		
Net profit after taxes	1,079,000	1,080,000	3,354,000	5,168,000	2,614,000		
Dividends declared	1,000,000	500,000	2,000,000	4,000,000	4,000,000		
LUCKENBACH STEAMSHIP CO., INC.							
Assets	14,323,000	14,533,000	14,088,000	20,688,000	22,101,000	(2)	(2)
Net worth (capital and surplus)	9,720,000	10,088,000	9,895,000	13,052,000	12,902,000		
Net profit before taxes	368,000	316,000	1,607,000	6,334,000	1,868,000		
Net profit after taxes	368,000	316,000	847,000	3,960,000	1,868,000		
Dividends declared							
LYKES BROS. STEAMSHIP CO., INC.							
Assets	6,289,000	9,041,000	26,171,000	37,521,000	49,092,000	(2)	(2)
Net worth (capital and surplus)	5,020,000	5,825,000	16,944,000	23,944,000	39,644,000		
Net profit before taxes	486,000	1,245,000	7,017,000	12,325,000	9,400,000		
Net profit after taxes	486,000	1,245,000	6,810,000	12,025,000	8,918,000		
Dividends declared		175,000	830,000	1,680,000	875,000		
MATSON NAVIGATION CO.							
Assets	64,859,000	67,030,000	71,726,000	59,664,000	113,131,00	112,086,000	112,983,000
Net worth (capital and surplus)	37,868,000	39,649,000	43,299,000	45,788,000	59,221,000	60,366,000	61,464,000
Net profit before taxes	2,720,000	2,935,000	7,174,000	8,939,000	8,673,000	8,291,000	7,629,000
Net profit after taxes	2,146,000	2,316,000	5,373,000	4,753,000	2,479,000	3,225,000	3,239,000
Dividends declared	1,660,000	2,157,000	1,986,000	2,477,000	2,470,000	2,468,000	2,468,000
MOORE-McCORMACK LINES							
Assets	(3)	(3)	23,906,000	33,611,000	(2)	43,403,000	42,555,000
Net worth (capital and surplus)		[1] 2,308,000	10,481,000	20,083,000		27,269,000	28,932,000
Net profit before taxes		615,000	5,928,000	14,571,000	6,573,000	3,355,000	3,367,000
Net profit after taxes		354,000	5,343,000	13,595,000	5,903,000	2,478,000	2,145,000
Dividends declared			534,000	770,000	770,000	770,000	770,000
SHEPARD STEAMSHIP CO. (100 percent controlled by Shepard Morse Lumber Co.)							
Assets	799,000	771,000	1,717,000	2,107,000	2,240,000	(2)	(2)
Net worth (capital and surplus)	[1] 133,000	[1] 105,000	1,021,000	1,381,000	1,607,000		
Net profit before taxes	29,000	43,000	1,777,000	690,000	135,000		
Net profit after taxes	29,000	35,000	685,000	690,000	135,000		
Dividends declared				113,000	44,000		
UNITED STATES LINES							
Assets	29,184,000	31,782,000	44,380,000	58,873,000	61,857,000	38,652,000	35,088,000
Net worth (capital and surplus)	13,475,000	16,274,000	18,593,000	10,304,000	10,990,000	12,324,000	19,685,000
Net profit before taxes	1,336,000	3,240,000	4,737,000	3,587,000	2,949,000	2,327,000	2,476,000
Net profit after taxes	1,022,000	3,051,000	3,801,000	2,584,000	751,000	1,519,000	1,623,000
Dividends declared	397,000	196,000	393,000			148,000	147,000
WATERMAN STEAMSHIP CORP.							
Assets	3,386,000	3,823,000	9,138,000	18,427,000	29,984,000	(2)	(2)
Net worth (capital and surplus)	2,092,000	1,950,000	4,584,000	8,962,000	15,441,000		
Net profit before taxes	8,000	[1] 57,000	3,603,000	7,484,000	6,921,000		
Net profit after taxes	8,000	[1] 59,000	2,661,000	3,271,000	762,000		
Dividends declared	158,000	93,000	370,000	693,000	943,000		

See footnotes at end of table.

	1938	1939	1940	1941	1942	1943	1944
WEYERHAEUSER STEAMSHIP CO. (100 percent controlled by Weyerhaeuser Timber Co.)							
Assets	$1,473,000	$1,485,000	$2,313,000	$3,434,000	$4,168,000	(2)	(2)
Net worth (capital and surplus)	1,235,000	1,242,000	1,692,000	1,590,000	1,806,000		
Net profit before taxes	26,000	208,000	558,000	881,000	1,865,000		
Net profit after taxes	21,000	174,000	424,000	353,000	513,000		
Dividends declared		165,000		350,000	300,000		

[1] Deficit.
[2] Not available.
[3] Then American Scantic Line; information not available.

STATEMENT OF THE CIO MARITIME COMMITTEE ON BEHALF OF ITS AFFILIATES, NATIONAL MARITIME UNION OF AMERICA, MARINE COOKS' AND STEWARDS' ASSOCIATION OF THE PACIFIC, INLANDBOATMEN'S UNION OF THE PACIFIC, NATIONAL MARINE ENGINEERS BENEFICIAL ASSOCIATION, AMERICAN COMMUNICATIONS ASSOCIATION, IN SUPPORT OF PROPOSED AMENDMENTS TO THE FAIR LABOR STANDARDS ACT, S. 1349

INTRODUCTION

The CIO Maritime Committee appears today on behalf of five of its affiliates: National Maritime Union of America, Marine Cooks' and Stewards' Association of the Pacific, Inlandboatmen's Union of the Pacific, National Marine Engineers Beneficial Association, American Communications Association, to urge prompt and favorable action on S. 1349.

We believe the arguments presented by the CIO and by various other proponents of the bill are conclusive. They demonstrate the necessity of a 65-cent minimum wage, raised within 2 years to 75 cents, both for the well-being of the Nation and for the well-being of all its citizens.

Our affiliates, the International Longshoremen's and Warehousemen's Union, American Communications Association, and International Fishermen and Allied Workers of America; are presenting separate statements in behalf of their memberships in the longshore, warehouse and sugar industries, the shoreside communications industries, and the fish-processing industries, respectively. Accordingly we shall limit our discussion to the question of extension of coverage of the Fair Labor Standards Act to seamen.

CIO maritime unions represent the great majority of American seamen. The National Maritime Union has a membership of over 90,000 in the unlicensed ratings in deep-sea, Great Lakes, and inland waterways operations. The Marine Cooks' and Stewards' Association of the Pacific has a membership of over 15,000 in the stewards' department aboard vessels in deep-sea operations. The American Communications Association, marine department, represents 5,000 radio officers aboard Lakes and ocean vessels. The Marine Engineers Beneficial Association represents 15,000 marine engineers on the rivers, lakes, and oceans. TheInlandboatmen's Union of the Pacific has a membership of 3,000 employed on the inland waters of the Pacific coast.

PRIOR EXCLUSION OF SEAMEN

At the time of introduction of the original fair labor standards bill, it appears as if no exclusion of merchant seamen was contemplated.

On June 9, 1937, during the joint hearings on the original bill, the National Maritime Union testified in regard to coverage for seamen. This testimony called attention to section 301 of the Merchant Marine Act of 1936 which authorized the Maritime Commission to establish "minimum manning scales and minimum wage scales, and minimum working conditions for all officers and crews employed on all types of vessels receiving an operating differential subsidy."

In view of this provision of maritime law, the union urged that the report of the joint committee clarify beforehand any conflicting jurisdiction between the Maritime Commission and the agency established to administer the wage-hour law. It was the union's position that seamen be afforded protection under both

laws. When questioned as to which agency the seamen would prefer if dua coverage was considered unwise, our representative stated our choice would be the Maritime Commission.

Our testimony was given on June 9, 1937. The Merchant Marine Act of 1936 was passed on June 29, 1936, but it was not until June 1937 that the ocean-mail contracts were canceled and operating differential subsidies substituted therefor. During the following month of July 1937 the Maritime Commission began hearings under the provisions of section 301.

Our previous testimony was given at a time when the outlook for governmental action to establish minimum standards for seamen was extremely favorable. A review of the subsequent history of proceedings under section 301 will indicate why we appear today urging repeal of section 13 (a) (3) of the Fair Labor Standards Act.

As a result of the substitution of the direct subsidy in place of mail contracts, the establishment of minimum wages, working conditions, and manning scales became an immediate necessity in the summer of 1937. Accordingly, the Maritime Commission held hearings in many coastal cities followed by concluding hearings in Washington in September 1937.

After consideration of the hearings, the Commission issued an order prescribing wage scales on subsidized vessels. Manning scales were established, and vacations with pay, bonuses for continuous employment, and other working conditions were set. A special crews' quarters committee was established and many improvements in crews' accommodations resulted.

However, the interest of the Commission in section 301 waned rapidly. The 1937 hearing was the first and last to be held. To our knowledge, after the initial minimum wage was established in 1937, no investigation or reconsideration of it was ever made. The one activity that apparently continued for some time after the 1937 hearings was the work of the crews' quarters committee. The last recorded action of this committee is dated January 1941. Operating differential subsidies were to continue for many more months until the war caused a temporary cessation.

With the advent of the war, the Government acquired control of the entire merchant fleet. While the control was vested in a sister organization to the Maritime Commission—the War Shipping Administration—the officials in policy-making positions were virtually the same. The WSA had direct responsibilities in the field of training and recruiting maritime manpower and in promoting harmonious labor relations abroad the Government-owned and controlled fleet.

Despite constant pressure from the maritime unions and the compelling necessity of waging an all-out war, the War Shipping Administration never gathered an accurate and factual picture of the maritime labor force. All through the war its officials had, at best, good guesses as to the actual number of active seamen, as to their age, previous occupation, dependency status, distribution by home port, and other pertinent information. The Administration knew very little of the actual earnings and living standards of seamen and their families during the war.

If there had been in the Maritime Commission prior to the war any personnel whose function it was to meet the agency's labor responsibilities, they must have been absorbed into WSA. Now with the conclusion of the war, WSA will shortly disappear. For many months, certain officials within the dual organizations have been urging that the Commission take steps now to meet its peacetime responsibilities under section 301 of the 1936 act and other provisions of law. Their suggestions are twofold: First, that the Commission again hold hearings in port cities throughout the Nation so that a first-hand picture of the living standards, conditions of employment, demands, and expectations of the seamen can be secured; second, that a competently staffed division be established to gather facts, make investigations, and recommend policy to the Commission in regard to meeting its obligations to maritime labor.

Less than 2 weeks ago the Maritime Commission refused to place a discussion of this proposal on its docket.

The history of the last 8 years proves that the Maritime Commission is derelict in its obligations to labor. All indications point to continued inactivity in regard to minimum wages and minimum hours for seamen.

We strongly urge this committee to rectify the situation by striking section 13 (a) (3) from the Fair Labor Standards Act.

SEAMEN ARE AMERICAN WORKERS

Continued exclusion of seamen from the benefits of the Fair Labor Standards Act, as from the benefits of other progressive legislation such as the Unemployment Insurance Act, can be justified only on the theory that seamen are a group apart from the main stream of American workers. The characterization of seamen as improvident drifters is a fiction which has been carefully kept alive by employers. It has no basis in fact. Whatever truth inhered in this view in the past was engendered by the very conditions under which seamen worked. Discipline comparable only to that of the most rigorous penal institutions prevailed on board ship; food was far below any decent standard; the forecastle was a place of filth and squalor; wages were only enough to purchase an unrestrained, if brief, period of recreation between voyages. Men were oftentimes coerced, even kidnaped, into service. Under these conditions, it was not surprising that the level of social responsibility was not high.

The appearance of union organization in the industry brought with it many changes. An analysis of the course of these changes is not necessary, but their present form offers a sharp contrast to the past. As living conditions improved, as seamen slowly won their self-respect as workers, as they gradually were freed from the burdens of literal servitude, the character of the industry's personnel also changed. The men began to claim the place in society that was theirs.

Today a seaman is not a casual, irresponsible drifter. He is a man with a craft.

The merchant marine is a modern industry. Seamen are technically proficient workers. Ships are highly mechanized and need skilled mechanics to man them. Freight ships of today cannot be compared with sailing vessels or even with steamships. Their development has kept pace with that of all other forms of transportation. Speeds have been increased by high pressure, intricately designed engines; the handling of cargo has been expedited by new kinds of equipment. All of this calls for workers with a high degree of training and experience.

Passenger transportation by water shows similar progress. The service which must be furnished is equivalent to that of the best hotels. Maritime workers are needed who can maintain these standards.

The average seaman today is a family man with all the obligations which accompany that status.

The family responsibilities of seamen are made clear in two studies.

One of these studies was made by the United Seamen's Service, a war-born organization in which the Government, the shipowners, and the maritime unions cooperated to afford vitally needed services to our war seamen. A carefully chosen sample of 100 men, distributed according to the relative numbers of men in the various ratings on dry cargo vessels, was used.

The USS study showed only 28 out of 100 men who had no dependents. As many as 41 were or had been married and were supporting wives or children or both. Altogether, the 100 men had 129 dependents.

TABLE 1.—*Family responsibilities of unlicensed seamen—USS study* [1]

Family responsibility:	
Without dependents	28
With dependents	72
Wife only	13
Wife and children	20
Children only	4
Other relatives only	27
Wife and others	7
Children and others	1
Total	100
Total number of dependent persons	129

[1] John W. Hastie, Unemployment, Annual Income and Family Status of Seamer, 1943.

The second study showing family responsibility of seamen was conducted by the National Maritime Union. Of 70 men interviewed, only 27 were found to be without dependents. The remaining 43 men had from 1 to 6 dependents each.

On the west coast, the United States Shipping Commissioner at San Francisco states that approximately 80 percent of seamen sign over an allotment of a portion of their pay to dependents. This is in marked contrast to the years 1936 and 1937

INTENTIONAL SECOND EXPOSURE

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SEAMEN ARE AMERICAN WORKERS

Continued exclusion of seamen from the benefits of the Fair Labor Standards Act, as from the benefits of other progressive legislation such as the Unemployment Insurance Act, can be justified only on the theory that seamen are a group apart from the main stream of American workers. The characterization of seamen as improvident drifters is a fiction which has been carefully kept alive by employers. It has no basis in fact. Whatever truth inhered in this view in the past was engendered by the very conditions under which seamen worked. Discipline comparable only to that of the most rigorous penal institutions prevailed on board ship; food was far below any decent standard; the forecastle was a place of filth and squalor; wages were only enough to purchase an unrestrained, if brief, period of recreation between voyages. Men were oftentimes coerced, even kidnaped, into service. Under these conditions, it was not surprising that the level of social responsibility was not high.

The appearance of union organization in the industry brought with it many changes. An analysis of the course of these changes is not necessary, but their present form offers a sharp contrast to the past. As living conditions improved, as seamen slowly won their self-respect as workers, as they gradually were freed from the burdens of literal servitude, the character of the industry's personnel also changed. The men began to claim the place in society that was theirs.

Today a seaman is not a casual, irresponsible drifter. He is a man with a craft.

The merchant marine is a modern industry. Seamen are technically proficient workers. Ships are highly mechanized and need skilled mechanics to man them. Freight ships of today cannot be compared with sailing vessels or even with steamships. Their development has kept pace with that of all other forms of transportation. Speeds have been increased by high pressure, intricately designed engines; the handling of cargo has been expedited by new kinds of equipment. All of this calls for workers with a high degree of training and experience.

Passenger transportation by water shows similar progress. The service which must be furnished is equivalent to that of the best hotels. Maritime workers are needed who can maintain these standards.

The average seaman today is a family man with all the obligations which accompany that status.

The family responsibilities of seamen are made clear in two studies.

One of these studies was made by the United Seamen's Service, a war-born organization in which the Government, the shipowners, and the maritime unions cooperated to afford vitally needed services to our war seamen. A carefully chosen sample of 100 men, distributed according to the relative numbers of men in the various ratings on dry cargo vessels, was used.

The USS study showed only 28 out of 100 men who had no dependents. As many as 41 were or had been married and were supporting wives or children or both. Altogether, the 100 men had 129 dependents.

TABLE 1.—*Family responsibilities of unlicensed seamen—USS study* [1]

Family responsibility:	
Without dependents	28
With dependents	72
Wife only	13
Wife and children	20
Children only	4
Other relatives only	27
Wife and others	7
Children and others	1
Total	100
Total number of dependent persons	129

[1] John W. Hastie, Unemployment, Annual Income and Family Status of Seamer, 1943.

The second study showing family responsibility of seamen was conducted by the National Maritime Union. Of 70 men interviewed, only 27 were found to be without dependents. The remaining 43 men had from 1 to 6 dependents each.

On the west coast, the United States Shipping Commissioner at San Francisco states that approximately 80 percent of seamen sign over an allotment of a portion of their pay to dependents. This is in marked contrast to the years 1936 and 1937

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when only 15 to 20 percent of seamen signed allotment papers, and of these the majority were in the licensed group.

All wartime studies understate the dependency status of seamen under normal conditions. During the war the Merchant Marine had to resort to recruiting men below the draft age in order to meet the labor force requirements.

In 5 months during 1944, almost 15,000 boys between the ages of 16 and 18 entered the training organization of the WSA. Since that time additional thousands under the age of 18 have entered the merchant marine. Most surely a large proportion of these youths will return to shoreside after the shipping emergency, particularly if the Congress passes the seamen's bill of rights, affording well-earned educational benefits. It can be estimated with considerable accuracy that the proportion of seamen with dependents will be larger under normal conditions than wartime studies indicate.

Upon investigation, American seamen are found to be as typical of American workingmen as shipyard workers, textile workers, or steelworkers. The American seamen come from every State in the Union. Their backgrounds and heritages are as varied. Bombs, torpedoes, and mines have taken their toll without regard for color, religion, home State, or any other distinguishing characteristic.

Table 2 gives the story of wartime losses up to June 14, last:

United States merchant marine casualties (injuries not included)

[Figures compiled from casualty and prisoner-of-war lists supplied by Navy Department. Last casualty list as of June 14, 1945; last prisoner list as of Nov. 18, 1944; labor force from War Shipping Administration control office]

State	Prisoners of war	Missing	Dead	Total casualties	Labor force
Alabama	2	88	25	115	5,140
Arizona	0	4	0	4	460
Arkansas	2	12	2	16	780
California	114	223	60	397	39,420
Colorado	0	11	1	12	2,150
Connecticut	2	46	7	55	3,850
Delaware	1	16	2	19	460
District of Columbia	1	19	2	22	1,520
Florida	6	140	20	166	5,260
Georgia	4	121	14	139	3,090
Idaho	1	4	1	6	580
Illinois	7	95	12	114	6,550
Indiana	1	28	4	33	2,100
Iowa	2	14	3	19	1,540
Kansas	1	7	2	10	1,850
Kentucky	1	12	3	16	910
Louisiana	12	199	39	250	7,560
Maine	2	45	9	56	1,900
Maryland	7	178	25	210	6,730
Massachusetts	17	402	67	486	9,640
Michigan	7	60	9	76	6,320
Minnesota	1	41	2	44	3,520
Mississippi	1	23	8	32	1,720
Missouri	3	38	6	47	4,530
Montana	0	5	1	6	610
Nebraska	0	4	1	5	960
Nevada	0	1	0	1	400
New Hampshire	2	16	2	20	890
New Jersey	18	239	38	295	10,550
New Mexico	0	5	1	6	300
New York	72	1,215	176	1,463	45,490
North Carolina	4	65	10	79	3,820
North Dakota	0	9	0	9	280
Ohio	6	80	12	98	10,170
Oklahoma	3	20	3	26	1,720
Oregon	4	38	8	50	4,070
Pennsylvania	19	363	47	429	15,380
Rhode Island	3	49	13	65	1,420
South Carolina	2	37	6	45	1,920
South Dakota	0	5	0	5	350
Tennessee	0	37	3	40	1,570
Texas	22	319	43	384	11,060
Utah	0	7	1	8	800
Vermont	2	1	0	3	200
Virginia	3	101	11	115	5,340
Washington	14	53	12	79	9,360
West Virginia	0	10	3	13	940
Wisconsin	1	33	2	36	3,540
Wyoming	0	1	1	2	180
Total	370	4,539	717	5,626	256,010

Later information published, without subdivision by States, puts the figures at: Prisoners of war, 435; missing, 4,830; dead, 794; total casualties, 6,059.

The wants and needs of seamen and their families are the same as those of all American workers. They need food, clothing, shelter, medical care, recreation. Their skills are as complex and varied as those in most industrial plants. Many of the skills are similar to shoreside occupations. The American seaman is deserving of an adequate minimum wage and of an American working standard in common with all American workers.

If we are to search for a distinguishing characteristic common only to seamen we should find but one. It is in the confinement, loneliness, separation, and hazards of their occupation. The work they do is similar to work in a shipyard, boiler room, or restaurant ashore, but the conditions under which they work are far more undesirable.

We should like to insert into the record the following quotation from the Maritime Industry, by R. W. Wissman, published in 1942 which describes the peculiarities of maritime employment so well:

"The life and the working conditions of seamen are not only in many ways different from those of landsmen, but are also affected with peculiar risks and disadvantages. One of the disadvantages of maritime labor is its complete dependence on its employer or master while aboard ship. This dependence alone has led to the enactment of more regulatory laws than in the case of any other kind of employment. Once the wage-earner on land has finished his day's work, he has usually no further contact with his employer. The seaman, however, is dependent on the ship's owner or master not only for his employment, but also for his food and lodging aboard ship. To that extent he is almost completely controlled by the master of his ship. His ship represents throughout his engagement not only his place of work, but also his abode. Since he is most of the time confined to his vessel, he has no means of visiting his home and taking part in the daily life of his family. Moreover, his state of health is continuously subjected to the influences of the conditions under which he is boarded and lodged. Besides, he is exposed not only to the peculiar risks of the sea and navigation, but also to the changes of climate during the course of voyage, and to unforeseeable accidents, shipwrecks, and the like.

"Furthermore, maritime employment creates many disciplinary problems. Since seamen are mostly of a mixed group, and the nature of their occupation forces them to be in continuous and close contact with each other, friction among them is apt to occur rather easily. While at sea, seamen are subject to the orders and control of their superiors during their work as well as during their leisure hours. Hence, they must not only know how to obey ,but must obey promptly. In fact, emergencies at sea give the master the right to assume quasi-military authority over both the licensed officers and the unlicensed personnel. Similarly, if a shore worker does not like a certain order given by his employer, he is practically always free to quit his job on the spot; not so a seaman. In case of disobedience, the latter may be locked up and charged with mutiny in admiralty courts.

"The seaman's occupation differs from that of the workman on land also by his limited access to the ordinary agencies set up by society for the administration of justice and the preservation of law and order. He cannot appeal to the courts as readily as the shoreworker in case of injury or inhuman treatment. Indeed, opportunities for injustice are far greater at sea than on land, while the means of redress are relatively few. In addition, the large labor turn-over of maritime workers due to their casual employment discourages the growth of a feeling of mutual interests and responsibilities on the part of both employer and employees. On the contrary, it gives employees a strong fear of insecurity. Although some workers may be attached to a certain ship over a period of months, nonetheless, for the majority the employment in this field is both irregular and of an indefinite duration. For considerable periods of unemployment may occur between jobs of a short duration.

"Finally, the wages and earnings of seamen are at best but relatively low."

Far from being an argument for setting seamen apart from the benefits of an American standard of work and living, the peculiarities and hardships of seafaring warrant more sympathetic treatment. Indeed while the United States may pride itself on the conditions in its merchant marine, an investigation will prove that almost all other maritime nations afford seamen more generous treatment and better protection in comparison with their shoreside workers.

Only in the United States are seafaring conditions still far behind shoreside standards. Admiral Land, Chairman of the Maritime Commission and War Shipping Administrator, in a letter to Chairman Bland of the House Merchant

Marine and Fisheries Committee, has stated this fact well. Admiral Land wrote:

"Immemorially merchant seamen have been treated as 'wards of the government.' This is not always to their liking, nor is it in keeping with their bravery and their independence. It has, to be sure, resulted in their enjoyment of some historical rights, privileges, and benefits not available to other workingmen who live at home and take their leisure daily at liberty. But it is fair to say generally, that the industrial status of seamen is not in line with contemporary developments either here or abroad. Despite a hard and uncertain calling, they do not have, for example, the protection of unemployment insurance, workmen's compensation, group life insurance, pensions or retirement plans."

The admiral may well have added seamen do not have "an adequate minimum wage" and "an American work week."

THE QUESTION OF SEAMEN'S WAGES

Deep-sea wages and skills

Attention has already been called to the factors which make seamen's employment different in its terms and conditions from every other type of work. The men are necessarily kept away from their homes for long periods while on voyages. On board ship they are in close confinement, unavoidably partaking of the limited living quarters and food provided by the shipowners. Their social contacts and recreation are perforce restricted. While at sea most of them do a full day's work of 8 hours, for 7 days a week, Saturdays and Sundays included, without let-up. They are subject to call at any hour of the day or night in navigation emergencies. Over them at all times hangs the hazard of fatal mishap due to travel on the open seas. While other occupations share some of these conditions, no other calling shares them all, or any of them to such a degree.

For such heavy and hazardous labor the majority of seamen receive less than the 65 cents an hour minimum wage sought by the present bill.

As previously stated, the bulk of seamen when at sea work 8 hours a day, 7 days a week, or a 56-hour week. They are paid by the month. Because the months are in nearly all cases a day or two longer than 4 weeks, the War Shipping Administration has adopted 56×4 equals 224, plus 16 hours, equals 240 hours, as the standard seamen's working month at sea.

On this basis, representative seamen's wages, those on dry cargo deep-sea ships, work out as shown in table 3.

TABLE 3.—*Deep-sea seamen's present monthly and hourly wages*

	Monthly	Hourly
DECK DEPARTMENT		
Ordinary seaman	$127.50	$0.53
Able seaman	145.00	.61
Watchman	145.00	.61
Deck utility	145.00	.61
Lookout man	146.50	.61
Master at arms	150.00	.63
Quartermaster	150.00	.63
Storekeeper	150.00	.63
Portman	152.50	.64
Carpenter's mate	152.50	.64
Carpenter	157.50	.66
Boatswain's mate	155.00	.65
Boatswain	157.50	.66
ENGINE DEPARTMENT		
Wiper	132.50	.55
Coal passer	132.50	.55
Fireman (oil)	145.00	.61
Fireman (coal)	147.50	.62
Refrigerator oiler	155.00	.65
Engine utility	155.00	.65
Storekeeper	155.00	.65
Fireman-watertender	155.00	.65
Watertender	155.00	.65
Oiler	$155.00	$0.65
Dock engineer	162.50	.68
Evaporator utility	172.50	.72
Unlicensed junior engineer	187.50	.78
Maintenance electrician	194.50	.82
Assistant electrician	182.50	.76
Chief electrician	252.00	1.05
Plumber machinist	194.50	.82
Refrigerator engineer, third (second)	191.25	.80
Refrigerator engineer, second (first)	238.75	1.00
Refrigerator engineer, chief	270.00	1.13
Refrigerator engineer [1]	282.50	1.18
STEWARDS' DEPARTMENT		
Crew messman	127.50	.53
Messman	132.50	.55
Utilityman	132.50	.55
Assistant cook	162.50	.68
Second cook and baker	162.50	.68
Chief cook	177.50	.74
Steward-cook	192.50	.80
Chief steward	192.50	.80

[1] Refrigerator engineer's wages, when only 1 is carried, vary from $187.50 to $282.50 with different companies.

On the basis of 34,992 men shipped out of the New York hiring hall of the National Maritime Union from January through June 1944, an estimate was obtained of the number and proportion of NMU members in the various deep-sea ratings. By grouping together the main ratings which receive identical pay, and applying to these groups the estimated proportion of union members in the respective ratings, the following distribution of men at present base rates of pay is revealed:

TABLE 9.—*Distribution of National Maritime Union members in deep-sea service, by hourly rate of pay*

Rating	Monthly wage	Hourly rate	Percent	Cumulative
Ordinary seaman Crew messman Wiper	$127.50	$0.53	8.4	8.4 percent earn less than 55 cents.
Coal passer Messman Utilityman Able seaman	132.50	.55	33.1	41.5 percent earn less than 61 cents.
Watchman Deck utility Fireman	145.00	.61	22.5	64 percent earn less than 65 cents.
Oiler Fireman-water tender	155.50	.65	16.5	80.5 percent earn less than 66 cents.
Boatswain Carpenter Third and other cooks	157.50	.66	5.9	86.4 percent earn less than 68 cents.
Deck engineer Second cook and baker	162.50	.68	5.0	91.4 percent earn less than 74 cents.
Chief cook	177.50	.74	3.3	94.7 percent earn less than 76 cents.
Pumpman Junior engineer	182.50	.76	1.2	95.9 percent earn less than 80 cents.
Chief steward	192.50	.80	1.6	97.5 percent earn less than 81 cents.
Miscellaneous	(1)	----------	2.5	

[1] Over $192.50 and up to $309.50.

This analysis indicates, therefore, that 64 percent of the National Maritime Union's seagoing members are receiving less than the 65-cent hourly minimum proposed in the bill under consideration. Many of them could earn higher wages ashore. According to the War Shipping Administration, for most of the 35,000 experienced seamen who returned to man our wartime merchant fleet, the return to seafaring meant "a net decrease in annual income."

Comparison of a few of the main ratings on shipboard with similar classifications in other related industries will illustrate the extent of the discrepancy between wages and skill.

The Dictionary of Occupational Classifications, prepared after extensive studies by Government agencies, is not necessarily definitive. It does, however, serve as a guide to the basic requirements for the occupations listed.

The duties of an able seaman as defined by the dictionary are as follows:

"*Able seaman.*—Performs all regular and emergency duties required in deck service of a ship; stands watch at bow of vessel for possible obstructions; takes depth soundings in unfamiliar or shallow waters; transmits information to bridge by voice or using a telephone; steers vessel as directed, using either a wheel on the bridge or emergency steering apparatus in the stern; breaks out, rigs, overhauls, and stows cargo-handling gear and running gear; overhauls lifeboats and lifeboat gear and lowers and raises lifeboats; makes minor repairs to deck and deck equipment by washing decks, chipping paint, painting wood and metal fixtures, and splicing wire and cables; stows and removes cargo from hold. Must hold a certificate issued by the Government. When working aboard vessels carrying liquid cargoes, must hold a tankerman certificate."

The nearest equivalent classification is that of a ship rigger in the ship building and repair industry.

"*Ship rigger.*—Installs all tackle and fittings of wire and manila rope on a ship and fabricates and installs shroud stays, lifts, braces, life lines, and radio aerials, and other rigging fitted to masts, spars, and booms; lays out and cuts materials according to specifications, using shears and cutting pliers; splices wire cable and Manila rope when necessary and splices or otherwise attaches necessary fittings onto rigging, using hand tools; fabricates essential wooden and rope assemblies; nails, bolts, or ties rigging in place; tests ship rigging and crane-lifting rigging on

shipboard for proper functioning. May install canvas work, such as tarpaulins, hatch covers, and boat, gun, and bunk covers on board ship. May sew canvas parts by machine or by hand, using a sailmaker's needle."

Yet, despite this practical equivalence, in which any difference inclines toward the seaman who must hold a certificate issued only after 3 years' sea service and who is frequently responsible for the safety of his ship and cargo, there is a fantastic variance in wages. An able seaman receives a base wage of $145 per month, for which he works 56 hours a week without overtime, or approximately 61 cents an hour. The shipyard employee, however, will receive from $1.03 an hour for the lowest grade rigger to $1.20 an hour for a first-class worker. In addition, he receives time and one-half for all hours worked over 40 weekly.

In the engine department, a basic rating is the fireman-watertender. According to the occupational dictionary, his duties are as follows:

"*Fireman, marine.*—Fires or stokes a boiler on a ship: ref., fireman, high pressure. May regulate amount of water in boilers; ref., water tender III. May be specifically designated according to the type of fuel burned as fireman, coal; fireman, oil. Is known as fireman-watertender when working in ships where boiler gages and water controls are located in fireroom and no watertender III is carried."

"*Watertender III.*—Checks and regulates amount of water in boilers; inspects gages attached to boilers to determine need for water; operates boiler-feed water pumps to supply the water; watches operation of pumps to insure efficient functioning and to detect defects. May sweep and clean area about pumps and boilers."

He, too, must hold a certificate for which he is eligible only after long service; he, too, works 56 hours weekly, 7 days a week.

Many industries use men of similar skills to operate steam plants. A stationary engineer performing this kind of work is defined as:

"*Stationary engineer, steam.*—A stationary engineer who operates and maintains steam-driven equipment, such as stationary steam engines, steam turbines, and steam pumping machinery."

A fireman-water tender receives $155 monthly, or about 65 cents an hour. On shore, stationary engineers, who perform similar duties under far more favorable conditions, receive from $45 for a 48-hour week to $50.48 for a 40-hour week in various industries. In the shipbuilding and repair industry, men who merely tend furnaces for heating metal and who have no boilers or gages to watch receive from $1.03 to $1.20 an hour.

The steward's department reveals a similar condition. A second cook, who also acts as the ship's baker for up to 60 men, receives only $162.50 monthly, or 68 cents an hour. Bakers ashore received, in 1944, an average of 85.3 cents an hour, and this for work performed under controlled factory conditions and not handicapped by shipboard facilities.

These comparisons leave out of account the versatility and the adaptability which seamen are expected to display. On the narrow issue of the specific skills required, they show that seamen have been held to wage levels far below those commensurate with their duties and responsibilities. Even if common laborer rates were used as a standard, this inequity would still exist. In the shipbuilding and repair industry, laborers receive from 78 to 80½ cents an hour, with provisions for overtime. The least skilled worker on a ship must have greater qualifications. Yet this rate is higher than is received by all except an insignificant fraction of the most highly paid unlicensed seamen, mainly chief stewards.

An American standard of living

The Department of Labor, organized to "foster, promote, and develop" the welfare of the wage earners of America, has for 25 years not attempted any study or estimate of the necessary income for an American worker to maintain a family in health and decency. We are glad to note that steps are now being taken by the Department to organize such a budget study in the near future.

In the present default of this much-needed activity of the Labor Department, it has been left to a private organization, the Heller Committee for Research in Social Economics, at the University of California, to make such studies.

The 1945 report of the committee puts the necessary minimum for a wage earner with a wife and two minor children at $3,075.72. On the basis of 50 weeks' work of 40 hours each, this would amount to $1.48 an hour. The items included in this budget are as follows:

TABLE 5.—*Wartime budget for the family of a wage earner* [1]

[A family of 4, consisting of a man, wife, boy of 13, girl of 8]

Item	Annual cost	Percentage of annual cost	Item	Annual cost	Percentage of annual cost
Total income (frozen at Sept. 15, 1942, level)	$2,800.00		Clothing (continued):		
Total budget, including taxes and reasonable wartime restrictions in consumption	3,075.72		Boy of 13	$81.70	2.7
Deficit	275.72		Girl of 8	55.37	1.8
Total budget	3,075.72	100.0	Housing—Rent (including water)	408.00	13.3
Taxes	266.00	8.7	House operation	117.25	3.8
Federal income tax	206.00	6.7	Light and fuel	67.20	2.2
Unemployment-insurance tax	30.00	1.0	All other items	50.05	1.6
Old-age-insurance tax	30.00	1.0	Furnishings	15.68	.5
Purchase of war bonds—10 percent of income	300.00	9.7	Miscellaneous	699.52	22.7
Total consumption items	2,509.72	81.6	Automobile upkeep	137.79	4.5
Food	978.34	31.8	Medical care	179.02	5.8
Meals at home—Family	936.62	30.4	Life-insurance premiums	113.38	3.7
Supplement to lunches	41.72	1.4	Care of person	59.46	1.9
Clothing	290.93	9.5	Recreation	56.47	1.8
Man	70.31	2.3	Carfare	26.25	.8
Wife	83.55	2.7	Tobacco	27.30	.9
			Gifts	14.35	.5
			Association dues	37.84	1.2
			Church and charity	18.00	.6
			Other items	29.66	1.0

[1] Heller Committee for Research in Social Economics, University of California, Wartime Budgets for Three Income Levels, March 1945.

While the foregoing minimum health and decency budget is based upon San Francisco prices, it is approximately applicable to cities throughout the country. A study made by the United States Bureau of Labor Statistics in March 1943 shows New York, the largest port, to have a cost of living higher than San Francisco. Six cities are reported with a cost of living within 5 percent of the San Francisco level, and in 18 cities the figure is between 90 and 95 percent of San Francisco. In only 7 cities, 2 of which are inland cities with no shipping, is the cost of living less than 90 percent of the San Francisco cost.[1]

Lowering our sights for the moment from an adequate American health and decency budget to estimates of what it costs to maintain a mere subsistence level of living, we find that the Works Progress Administration in 1943 priced such a budget and reported the unweighted average of 33 large cities to be $1,672.86, or 80 cents an hour for a full year's work.

Another recent survey, by the Textile Workers Union of America, CIO, the essential validity of which has been attested to by the United States Bureau of Labor Statistics, showed that the cost of living at a lower emergency level in the early part of 1944 for a family of four was $1,621, the equivalent of a wage of 78 cents an hour. If commodities and services alone are counted, the cost of this budget would be $1,415 per year, or 68 cents an hour.

The relevant figures are as follows:

TABLE 6.—*Wage earners' budgets on three levels*

Budget study	Total annual cost	Per-hour cost, 52 weeks, 40 hours
Heller committee budget for wage earners, San Francisco, March 1945	$3,075.72	$1.48
Work Progress Administration maintenance-level budget, June 15, 1943	1,672.86	.80
Textile workers' union emergency budget, January and February 1944	1,621.41	.78

A seaman's cost of living differs little from that of any other worker in the same income range. While he is at sea the expenses for rent, food, and clothing for his family continue. While the bases of the foregoing estimates are not entirely uniform, they constitute conclusive evidence that the 65-cent minimum wage rate

[1] U. S. Bureau of Labor Statistics, Estimated Intercity Differences in Cost of Living, March 1943. Monthly Labor Review, October 1943, p. 805.

proposed by the bill under consideration is an extremely conservative, if not inadequate, figure from the standpoint of affording a seaman a decent minimum standard of living.

Seamen's yearly earnings

Another way of approaching the seamen's wage problems is to consider their total annual earnings.

Because of a high incidence of illness and injury in the maritime industry, and because of the need for periods ashore with family and friends, the average employment of seamen during the year ranges from 8 to 9 months. It is important to note that in 6 months at sea the seaman has as many workdays as the shoreside worker has in 8 months on land. The seaman is paid only while under ship's articles.

This intermittent, though not seasonal, type of employment complicates the problem of determining data on seamen's earnings which will be comparable to data for shoreside workers, most of whom in ordinary times earn fairly steadily throughout the year.

Three comprehensive studies have been made which throw some light on the question of seamen's annual earnings. One is the study by the United Seamen's Service already cited. The second is an analysis by the United States Maritime Commission in June 1945. A third is a study made by the United States Bureau of Labor Statistics jointly with the United States Maritime Commission in June 1945. All three studies were made while the war bonuses were in effect, and before the recent War Labor Board award of $45 flat increase in base pay, which only partly filled the gap caused by the termination of the bonuses. The wages shown in these studies, therefore, are at least 25 percent higher than those actually received at the present time.

The United Seamen's Service study showed an overall average wartime wage of $1,677.14 a year, or $32.25 a week. The most numerous group was that receiving between $1,600 and $1,799.99 a year. More than half the men received less than $1,800, fewer than half received more than that figure.

TABLE 7.—*Average estimated wartime earnings of unlicensed seamen for 12 months* [1]

Rating	Annual	In weekly terms	Rating	Annual	In weekly terms
Ordinary seaman	$1,572.70	$30.24	Messman	1,424.03	27.39
Able seaman	1,867.69	35.92			
Fireman	1,609.01	30.94	Total sample	1,677.14	32.25
Oiler	1,875.31	36.06			

[1] John W. Hastie, Unemployment, Annual Income and Family Status of Seamen.

TABLE 8.—*Distribution of unlicensed seamen by yearly wartime income* [1]

Yearly income	Number of cases	Cumulative
$400 to $599.99	1	1 percent earned less than $600.
$600 to $799.99	2	3 percent earned less than $800.
$800 to $999.99	4	7 percent earned less than $1,000.
$1,000 to $1,199.99	11	18 percent earned less than $1,200.
$1,200 to $1,399.99	11	29 percent earned less than $1,400.
$1,400 to $1,599.99	13	42 percent earned less than $1,600.
$1,600 to $1,799.99	16	58 percent earned less than $1,800.
$1,800 to $1,999.99	15	73 percent earned less than $2,000.
$2,000 to $2,199.99	15	88 percent earned less than $2,200.
$2,200 to $2,399.99	6	94 percent earned less than $2,400.
$2,400 to $2,599.99	2	96 percent earned less than $2,600.
$2,600 to $2,799.99	2	98 percent earned less than $2,800.
$2,800 to $2,999.99	2	100 percent earned less than $3,000.
Total	100	

[1] John W. Hastie, Unemployment, Annual Income and Family Status of Seamen.

The earnings shown in tables 7 and 8, be it remembered, were based on ships' articles which showed actual sums earned for service on voyages of different lengths and in different areas. They thus included not only base pay, but all overtime, penalty pay, and bonuses, and any other special remuneration.

The United States Maritime Commission study of 98 Liberty-ship voyages was completed in November 1944. It showed monthly earnings of unlicensed seamen ranging from $200 for a wiper to $334 for a chief steward. These wages also included overtime, penalty pay, bonuses, and any other special remuneration.

Using these figures as a monthly basis, and multiplying by 8 and by 9 we arrive at an approximation to typical wartime annual earnings. Reducing these earnings by 25 percent to show the net effect of the abolition of war bonuses, we arrive at approximate estimates of seamen's wages under peacetime conditions.

TABLE 9.—*Typical monthly and yearly wartime earnings, and estimated peacetime yearly earnings of unlicensed seamen* [1]

Rating	Number of men per ship	Total monthly earnings	Typical yearly wartime earnings		Estimated yearly peacetime earnings	
			8 months' sea service	9 months' sea service	8 months' sea service	9 months' sea service
Deck department:						
Boatswain	1	$269	$2,152	$2,421	$1,614	$1,816
Carpenter	1	254	2,032	2,286	1,524	1,715
Able seaman	6	242	1,936	2,178	1,452	1,634
Ordinary seaman	3	223	1,784	2,007	1,338	1,505
Engine department:						
Junior engineer	1	240	1,920	2,160	1,440	1,620
Deck engineer	1	257	2,056	2,313	1,542	1,735
Oiler	3	244	1,952	2,196	1,464	1,647
Fireman-watertender	3	247	1,976	2,223	1,482	1,667
Wiper	2	200	1,600	1,800	1,200	1,450
Stewards' department:						
Chief steward	1	334	2,672	3,006	2,004	2,255
Chief cook	1	298	2,384	2,682	1,788	2,012
Second cook and baker	1	267	2,136	2,403	1,602	1,802
Night cook	1	273	2,184	2,457	1,638	1,843
Third cook	1	252	2,016	2,268	1,512	1,701
Messman	4	219	1,752	1,971	1,314	1,478
Utilityman	2	217	1,736	1,953	1,302	1,465

[1] Based on U. S. Maritime Commission, Weighted Average Monthly Labor Cost, by Rating, for Operating a Liberty Ship From Continental United States Ports on Certain Deep-Sea Voyages. November 1944.

Finally there is the recent joint study by the Bureau of Labor Statistics and the Maritime Commission. While the information so far released contains no individual wage figures, it shows the number of men in six wage brackets, each with a span of $500. As shown in table 10, derived from the study, the largest single group of unlicensed seamen, 240 out of 740, or 32.4 percent, were in the $2,500 to $2,999 bracket. More than half the men, however, fell below the $2,500 lower limit of this bracket, and less than half were in this bracket or above it.

TABLE 10.—*Average gross annual income of unlicensed seamen in selected occupations, Oct. 1, 1943–Sept. 30, 1944* [1]

Earnings	Ordinary seaman		Able seaman		Oiler		Messman		Chief cook		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
$500 to $999	4	4.1	6	1.9	5	3.2	4	3.1	----	----	19	2.6
$1,000 to $1,499	13	13.3	28	9.0	10	6.4	22	16.5	2	4.8	75	10.1
$1,500 to $1,999	32	32.7	52	16.8	32	20.4	30	22.5	4	9.5	150	20.3
$2,000 to $2,499	18	18.3	70	22.6	31	19.7	49	36.8	10	23.8	178	24.1
$2,500 to $2,999	28	28.6	149	48.1	40	25.5	22	16.5	1	2.4	240	32.4
$3,000 and over	3	3.0	5	1.6	39	24.8	6	4.6	25	59.5	78	10.5
Total	98	100.0	310	100.0	157	100.0	133	100.0	42	100.0	740	100.0

[1] U. S. Bureau of Labor Statistics and U. S. Maritime Commission survey, June 1945.

Certain facts stand out from these studies. All agree that in wartime the great bulk of the seamen earned less than the $3,075 a year required for family health and decency by the Heller budget. The Bureau of Labor Statistics places more than half the incomes below $2,500. The United States Maritime Commission figures reveal that more than half the men got only $2,178 or less. The United Seamen's Service report shows 58 percent of the men receiving less than $1,800, and as high as 42 percent receiving less than $1,600. Many seamen, because of illness, injury, and other factors, were able to earn only $400 to $500 in the course of a year. And be it remembered, these figures were collected before the war bonuses were cut off, and should be reduced at least 25 percent to reflect present conditions.

SEAMEN'S SUBSISTENCE IS NOT WAGES

S. 1349, in addition to repealing section 13 (a) (3) of the Fair Labor Standards Act, proposes to amend section 3 (m) of that act to exclude the cost of board, lodging, or other facilities provided by the employer from the computation of wages for members of the crew of a vessel. This exclusion of subsistence from the calculation of a minimum wage for seamen is necessitated by conditions unique to this industry. This amendment is essential if seamen are not to be deprived of a living wage on the basis of deliberate misinformation. The shipowners seek to use the subsistence question as a subterfuge to defeat the minimum wage provisions of this bill.

The question presented to the committee is that of eliminating a substandard condition by the establishment by law of a 65-cent minimum wage. The effectiveness of the legislation must not be destroyed by permitting the deduction from the minimum wage rate of any amount purporting to be the value of subsistence furnished to the seamen aboard ship. Basic to the whole case is the unquestionable fact that if the establishment of a 65-cent minimum is motivated by the policy of eliminating a substandard condition, the deduction of any amount whatever for subsistence aboard ship can only have the effect of undoing the very thing which the 65-cent minimum is designed to accomplish. Since the seaman, in the maintenance of a home ashore, and of an appropriate minimum standard of health and decency therein, cannot in any way draw upon the subsistence which is supplied to him aboard ship, any deduction for such subsistence from the minimum wage can only serve to reduce that minimum below a substandard level. The Congress, in its effort to eliminate substandard conditions, cannot logically enact a 65-cent minimum wage, and at the same time permit a deduction whose effect would be to reduce the minimum wage far below the accepted substandard level.

Traditionally, room and board supplied aboard ship have no connection with wages. During the long history of the maritime industry subsistence has never been considered to be a wage payment.

The entire history of negotiations between the shipowners and maritime unions proves this. The entire history of maritime legislation further substantiates this fact.

The shipowners know this as well as the seamen. The only reason they advance such argument is in the hope of causing confusion in the mind of third parties who might be unfamiliar with the industry.

The contentions, specious reasoning and deliberate misinformation of the operators cannot dispel the following facts:

1. Room and board provided aboard ship are solely for the convenience of the shipowners. Hence in law and in equity such food and board are not subject to inclusion as part of wages.

The Wage and Hour Division of the Department of Labor, charged with the administration of the Fair Labor Standards Act, fully recognizes that facilities provided for the convenience of the employer are not a part of wages. In interpretative Bulletin No. 3, the Division states that board, lodging, and other facilities "which are primarily for the benefit or convenience of the employer will not be recognized as reasonable and may not therefore be included in computing wages."

That the supplying of subsistence at sea is solely for the convenience of the shipowner is obvious from the unique character of the maritime industry, and the wholly abnormal setting in which the maritime worker is placed for the duration of a voyage. While he is at sea the seaman is on call 24 hours a day and therefore, like the attendant a a substation of a public utility, must be lodged and fed at the operator's expense so that the owner's business may be operated. Considering these facts, there is no valid distinction between subsistence for

the men and fuel oil for the engines. In the extraordinary nature of the industry, both serve a similar purpose and constitute similar necessary ingredients in the operation of the vessel.

Moreover, unlike the substation attendant, the maritime worker makes many and severe sacrifices for which no compensating factor is to be found in his pay check. These sacrifices have been strongly described by all familiar with the industry.

The Treasury Department, as well as other agencies and the courts, recognizes that room and board are not a part of the seamen's wages and therefore are not taxable:

"As a general rule, the test of 'convenience of the employer' is satisfied if living quarters or meals are furnished to an employee who is required to accept such quarters and meals in order to perform properly his duties. For example, if an employee is subject to immediate service at any time during the 24 hours of the day and, therefore, cannot obtain quarters or meals elsewhere without material interference with his duties and on that account is required by the employer to accept quarters or meals furnished by the employer, the value thereof need not be included in the gross income of the employee." (Treasury Department Cumulative Bulletin 1940–41, p. 14.)

According to this rule, seamen pay no income tax on the value of their subsistence.

War Shipping Administration Legal Bulletin 27, dated February 13, 1943, makes clear that this is also the policy of the Administration:

"* * * In determining the amount of wages subject to withholding, there must be included regular wages, bonus, overtime, and extra pay (but not the value of lodging and subsistence) * * *"

The seaman receives food only for himself and not for his family. Yet, the Board of Tax Appeals has agreed that a hotel manager need not pay taxes on the value of the apartment and food furnished both to him and his family. Even the value of entertainment supplied his guests was excluded. The reasoning was simply that as he was required to be on hand at all times, the cost of his quarters and food was incurred solely by the employer for its own convenience (*Benaglia* v. *C. I. R.*, 36 B. T. A. 838).

2. A major consideration in determining whether board and lodging are rightfully a part of wages is the element of choice. Interpretative Bulletin No. 3 of the Wage-Hour Division, previously referred to, states that before the cost of board, lodging or other facilities can be charged against the minimum wage "it is essential that" the worker's "acceptance of the facilities is voluntary and uncoerced." We submit that this is not the case in the course of maritime employment.

The seaman has no choice but to accept the room and board supplied by the operator. He does not choose to eat or be housed aboard the vessel. He does so because in the nature of his occupation he cannot do otherwise.

This fact was brought out in the hearings which preceded the passage of the Fair Labor Standards Act. In the original drafts of the act the word "wage" was not defined. Subsequently the word was defined to include "the reasonable cost as determined by the administrator to the employer of furnishing his employees with board, lodging, or other facilities where it is customary for the employer to furnish such facilities." The representative of the National Maritime Union addressed himself to that question in his testimony, as follows:

"Mr. EMERSON. On page 18, lines 14 to 17, inclusive, that this section be omitted in the case of the seamen, or that provision be made to give us protection, since the steamship owners could then deduct from our wages for our meals and sleeping quarters. Of course, as you know, in the maritime industry, in the case of the seamen specifically, that at sea we have no choice but to accept from the company meals and sleeping quarters along with our wages. It would be impossible to have a different set-up in that case, but we feel the interpretation of this bill in its present form might discriminate against us. I say, we are in a position where we have to accept board and lodging, and an interpretation of this clause here gives the employer in the maritime industry the right to deduct for board and lodging * * *."

"Representative RAMSPECK. Mr. Emerson, getting back to this board and lodging, if you were charged for the board and lodging on the ships, of course you would want higher wages than you have now?

"Mr. EMERSON. That is absolutely necessary. If we had to pay for board and lodging we would have practically nothing left."

To a question from Representative Connery as to whether the keep on board ship and the wages were separate, the reply was: "* * * Entirely separate. You see, it would be impossible to do otherwise. We have to accept it."

There can be no gainsaying the fact that the seaman is wholly without freedom of choice in the matter of subsistence. By no individual act of his own can he exert any control over subsistence: its amount, its quality, or the possibility of its contribution to his cash take-home.

In the light of these facts, the shipowners are clearly not justified in appealing for support to certain decisions of the War Labor Board in the hotel and restaurant industry ashore. True, a few decisions declare that meals or lodging provided ashore constitute a part of the hotel or restaurant worker's income. But the situation is wholly different. To begin with, the background in the maritime industry is uniformly a picture of shipowners supplying subsistence, whereas in the culinary industry ashore no such provision was originally made. On the contrary, it was wrested in the course of collective bargaining as a form of compensation and benefit. In addition, the shore worker always retains the alternative of selecting the items of food he desires, the amount he wishes to spend, and the place where he desires to eat. None of these alternatives is open to the seamen, isolated from land and confined to a ship.

It should be noted in passing that the shipowners carry their subsistence argument to an absurd conclusion. In recent War Labor Board hearings the operators contended that not only must the cost of food, lodging, crockery, linens, paint for the galleys, and hundreds of other items be charged against the seamen, but that the wages of the stewards department itself must be so charged. Thus according to the operators the men in the deck and engine departments are paying to employ the men in the stewards department, and the wages of the stewards, cooks, bakers, and messmen are being charged as a deduction against themselves.

3. The method of computing wages has been established through collective bargaining between the shipowners and the union. Nowhere in the history of negotiations have the shipowners or the unions given consideration to room and board as a part of wages. The wages are spelled out in the agreements. These wages as specified in the agreements are also placed on the ship's articles. The collective bargaining agreements contain no provisions for room and board.

During the entire history of collective bargaining between the unions and the shipowners, the matter of room and board has been within the complete control of the shipowners. It is significant that there has never been any collective bargaining between the employers and the unions with respect to the expenditures made for food, or its quality or the amount supplied at sea. True, grievances over the bad quality of food have frequently arisen; but no collective bargaining agreement establishes any levels of expenditures or levels of quality. The decisions on all such matters have uniformly been made by the shipowners alone, in recognition of the fact that the provision of subsistence is as much as item of operating cost in the industry as the consumption of fuel.

4. The collective-bargaining agreements provide that when a man is ashore on vacation he receives wages as spelled out in the agreement without allowance for room and board while ashore. The shipowners have always refused to pay a man's room and board while he is on vacation on the grounds that subsistence had nothing to do with wages. The amount given as vacation pay for a 1-week vacation is always the equivalent of seven-thirtieths of the monthly base pay; for a 2-week vacation, the equivalent of fourteen-thirtieths of the monthly pay.

5. When a ship is in port and temporarily laid up for repairs, with disruption of feeding, the shipowner provides cash to enable the men to obtain food and lodging ashore. Even when a vessel is not laid up, but is in port and is not feeding, the shipowner has always supplied a cash payment for the purchase of board and lodging ashore, thus demonstrating the shipowner's recognition that subsistence is a traditional operating cost of the industry.

Crew stores are not a part of labor cost in the same sense that wages are; they are a part of general maintenance outlay. The War Shipping Administration makes that clear by excluding the value of subsistence in all its studies of labor costs in connection with the operation of its vessels.

7. In collective bargaining prior to the war, the shipowners insisted that the steaming bonus (which the unions insist is a part of wages) should be computed on the basis of the wage rates specified in the agreements, with no consideration given to room and board.

During the war the Maritime War Emergency Board followed the same line of reasoning and no recognition was given by this Board to the allegation that

room and board were any part of the wages. In establishing war bonuses sometimes equivalent to 100 percent of wages, the Board excluded the value of subsistence from the computation.

8. The per diem traveling allowance received by Government employees whose duties regularly compel them to be away from home is not regarded as a part of wages. Furthermore, in all cases where the shipowners require their shore-side personnel to travel aboard ship there is no reduction from the wages paid to said personnel for room and board supplied aboard ship.

9. Another practical example is on the Pacific coast, in the case of the Alaska canneries. The shipowners employ personnel for work in these canneries through the seamen's halls. The wages paid are contract wages and at no time are board and room charged against the wages when these men are traveling aboard ship to Alaska. Furthermore, when these men are ashore in Alaska board and room are furnished in addition to contract wages.

10. Under title 46, U. S. C., section 594, a seaman, discharged before he has earned 1 month's pay, is entitled to a month's wages in addition to that actually earned.

When a claim was made that some cash allowance should be given in addition to the month's pay, the shipowners argued that subsistence had nothing to do with wages. The Federal courts so ruled (*The Steel Trader*, 275 U. S. 388; *Newman v. United Fruit Co.*, 141 Fed. (2) 191).

11. No employee in America is as subject to the demands of his employer as a seaman. He receives his food and lodging for that reason and that reason alone. His domestic expenses are not lessened in the least. Rent continues whether he is at home or at sea. Actually, it is increased, for he must maintain himself away from home while waiting to be shipped. The family saving in food is negligible. If his family consists of himself and three others, his absence results in a food saving of less than $1 weekly (Monthly Labor Review, June 1945, p. 1156).

As against this saving of $1 weekly on food, the seaman incurs large expenditures due to the nature of the industry which do not obtain in shoreside industry. For example, a seaman ships out from various ports all over the United States. When he is away from home he is required to maintain a separate establishment while he is waiting to ship out between voyages. On return from different voyages he incurs additional expense in the form of transportation cost to visit his family at his home.

12. Emphasis has been placed upon the fact that, for Federal old-age benefit tax purposes, an estimate of value of subsistence is used, upon which both the employer and the worker are charged. The development of this charge is instructive. Because of the Social Security Board's interpretation of the act which it administers wages received by a seaman at the end of a voyage are not spread over the period worked, but are credited only to the quarter in which the pay-off occurs. Thus, a seaman making a year-long voyage would be recorded as having made earnings only in the last quarter, when he was paid off. For the first three-quarters of that period, he would not be credited with having made any earnings whatever. As a result of this ruling, taken together with the requirements of the law concerning the making of earnings in all quarters of the base period upon which old-age benefits are computed, it became clear that many seamen would be seriously affected with respect to the amount of old-age benefits which they are building up. It was to avoid this anomalous and patently unfair situation that the maritime unions themselves supported the technique of inventing a fiction, upon which the law could seize to accomplish a beneficial social result. The unions proposed that a value be fixed for subsistence, and since subsistence is consumed daily, the Board agreed to credit seamen with earning the value of subsistence during each day of the voyage. In this way, the social purpose of the law was effectuated. Not only, however, was the entire idea advanced as a device to avoid an otherwise absurd result, but it should also be noted that the effect of the deduction is to build up a fund from which the worker benefits in his old age (that is, deductions from his present standard for the purpose of insuring a future one for himself), whereas any deductions for subsistence from the base rate of pay merely serves to diminish the worker's income with consequent harm to both his present and his future standard of living.

13. The English courts have had centuries of experience in dealing with questions concerning the sea and with seamen. They make it quite clear that a difference must be drawn between wages and the cost of keeping a crew in supplies so that the vessel may be navigated.

"In the sections of the code relating to seamen no provisions are so elaborate as those dealing with wages. The expression 'seamen's wages,' in their essential characteristic has been for generations a term of art in maritime law. Possibly for this reason the expression is not, in the code, made the subject of full definition, wages being there defined only to the extent of saying that the term includes emoluments (Merchant Shipping Act 1894, x. 742). *And incidentally I may observe as illustrating by an early example the precision of meaning held to be attached to the word throughout the code, that even the addition to wages of emoluments does not bring maintenance within their ambit:* (*Palace Shipping Co.* v. *Caine and others*, 10 Asp. Mar. Law Cases, 529; 97 L. T. Rep. 587, at p. 589; (1907) A. C. 386, at p. 393). * * * To a seaman's wages, invariably so-called, there are annexed in the code privileges, incidents, restrictions, safeguards, elsewhere unknown to the law, and not even made incident to any advantage from his service accruing to a seaman under some other description" (Italic supplied). (The Croxteth Hall; The Celtic, 18 N. S. p. 184, at p. 187.) Maritime law cases—United Kingdom—House of Lords—on appeal from the Court of Appeal in England.

In conclusion, on this very important question of wages and subsistence, the unions wish to make it very clear to the committee that the most important reason of all for not considering room and board as a part of a seaman's earnings is this:

The seamen have more than earned the right to maintain a home the same as the rest of the American people.

The room and board given a seaman on board ship have absolutely no value in helping him to maintain his family ashore. His ability to feed, clothe, and shelter his family and dependents is dependent upon the amount of money he receives in cash.

It is therefore the sole responsibility of the Congress to determine whether or not the American seaman, like any other American citizen, is entitled to a decent wage to maintain his home and family. This means legislation now, establishing the 65 cents an hour minimum, with time and one-half for work over 40 hours in the pay envelopes of the American seamen in cash.

REDUCTION OF SEAMEN'S HOURS

In addition to being covered, like shore side workers, by the minimum wage provisions of the present bill, the seamen are asking also to be brought within its limitation of the basic workweek to 40 hours.

This is a rectification of seamen's working conditions which is long overdue. Of all nonseasonal occupational groups the seamen form the group which is most neglected in regard to limitation of its weekly hours.

For oceangoing seamen, for centuries the traditional working time at sea was 7 days of 12 hours each, or 84 hours a week. This was true in the American service as well as in the European merchant marine, while the sailing ship was queen of the ocean. Then came steam. The changes wrought in the seamen's labor by this technical advance were finally reflected in the delayed adoption of the 8-hour day on shipboard. Steam vessels had displaced sails in large measure more than a decade before the turn of the century but it took three additional decades for the beginnings of an 8-hour day at sea. This change came largely through collective bargaining by the growing seamen's unions, following the reduction of working hours in shore industries. It was crystallized into law for unlicensed workers in the engine room by the La Follette Seamen's Act of 1915. It did not become legally binding for the deck crew until the passage of the amending act in 1936. It is still not law for members of the stewards' department.

But while the working day at sea was thus being reduced from 12 hours to 8, the number of working days in the week have remained unchanged. "One day's rest in seven" laws, enacted by several States for shore industries, have no counterpart for the seaman. The Fair Labor Standards Act, which sets the 40-hour week for manufacturing and commerce generally, excludes him. Fair weather or foul, in the Arctic or the Tropics, he still toils at the engines or on deck for 7 times 8, or 56 hours weekly. If he is a hapless cook or messman his week may still run to 63 hours. In cases of emergency, all hands, regardless of rating, may be called upon for hours unlimited, with no extra compensation for the time so worked.

With the modern advance in social and industrial standards, Yankee capacity for continuous improvement of operating processes, and the huge expansion of the American labor force, there is no longer any reason for condemning seamen—of all workers—to a 56-hour week. Their work is heavier, their calling is more hazardous, their living accommodations while at sea are more uncomfortable,

than those of the vast majority of shore workers who already benefit by the 40-hour provisions of the Fair Labor Standards Act. It is time that this indefensible discrimination be wiped out.

This Nation today has 250,000 trained and active merchant seamen. This is a national resource as valuable and as necessary to the growth and development of the American merchant marine as our great war-built fleet. We must not allow wasteful use or exploitation of this resource any more than we would allow it of the mineral resources of our land.

Estimates of the Maritime Commission and of other students of the maritime industry place our postwar fleet at 1,200 to 1,500 vessels. Under the present three-watch system, a fleet of this size would supply jobs for between 70,000 and 90,000 merchant seamen.

Of our 250,000 war service seamen many will want to return to shoreside industry once the shipping emergency is over. Others, particularly the thousands of teen-age youths, may want to and should be encouraged to return to school. Nevertheless there are a large number of men who have come to sea in a period of emergency and who would like to remain and make it their life's work. These men should not be denied that opportunity simply on the basis that it is possible to exploit the American seamen to a degree which makes their services superfluous.

The 8-hour day and the 40-hour week were established in recognition of the fact that technological progress had eliminated the necessity for survival of hours of toil beyond human endurance. In addition to preserving a trained maritime labor force, coverage under the hours provisions of the Fair Labor Standards Act will give seamen the time for rest, relaxation, study, and self-development now recognized as a standard for other industrial workers.

Against every previous step in shortening seamen's hours the shipowners have argued (1) that ships could not be run with shorter work schedules, (2) that it was impossible to house on shipboard the added number of men that would be required, (3) that the additional free time would weaken discipline and interfere with the work aboard ship, and (4) that the operators could not stand the expense involved. They are making the same arguments today against the application to seamen of the 40-hour week. None of these arguments is true.

Ships can be run on a basic 40-hour week. All that needs to be done is to change the present prevailing three-watch system to a four-watch system. This would reduce the hours of the bulk of seamen, who stand "watch and watch," from two 4-hour watches to two 3-hour watches daily. The resulting 6-hour day is in line with the thinking of organized workers in other industries. It is already incorporated in the agreements of the west coast longshoremen and warehousemen, and of the men's clothing workers (averaged over a 36-hour week).

The four-watch, 6-hour day would add up, in 7 days, to a 42-hour week at sea for the bulk of the men. The extra 2 hours over 40 can be taken care of by overtime payment at time and one-half as already established in the act for shore industries.

In this way the normal work necessary to the navigation of the vessel can go on through the 24 hours of each day and the 168 hours of the week. The four-watch system will cause no interruption in necessary duties, and no lessening of navigational speed or efficiency.

Is a shorter work-week at sea feasible? The Australians have proven it is. In the Australian merchant marine a standard 44-hour week for seamen has been in existence since 1942. At the session of the Joint Maritime Commission of the International Labor Office at London in that year, Mr. James A. Tudehope, secretary of the Marine Transport Council of Australia made the following report:

"* * * The Government of Australia felt that it was necessary to bring the shipping industry into line with shore industries. That was an outstanding move for the shipping industry, because the seamen's organizations in Australia had invariably been told by the shipowners, in the arbitration courts, that it was not possible to apply shore conditions to the shipping industry. We asked them why, and the only reply we received was 'Because the shipping industry is different.' However, the Government of Australia felt that the time had arrived when an attempt should be made to bring the shipping industry into line with shore industries, particularly as far as standard hours are concerned, and for that reason they introduced, early this year, a regulation which provided that the standard hours in the shipping industry should be 44.

"It was then left to the Maritime Industry Commission to decide the method by which the standard hours laid down by the Government should be applied to the different sections of workers on board ship. That was the job of the Maritime Industry Commission just as in this country it would be the job of

the various boards set up to control conditions on board ship. But that did not affect the standard hours; the task of the Commission in Australia was to apply the 44-hour principle to the various sections in a way which would meet any difficulties which might arise in its application. That was a task which needed a considerable amount of discussion, but it did not present any insurmountable difficulty. We found, when meeting the shipowners in conference or on the Maritime Industry Commission, that we were able to get down to a practical method of applying the 44-hour week to the shipping industry. So much for the argument which had been advanced by the shipowners for years, during all the time that the seamen's organization had been hammering at the arbitration court to have the standard hours applied to the maritime industry."

There remains a comparatively small group of men, known as "day workers" who even while at sea have Saturday afternoons and Sundays off. This reduces their regular working week to 44 hours. These men include such ratings as boatswain, ship's carpenter, machinist, electrician, plumber, refrigerator engineer, and engine-room wiper. Their skills are comparable, and in many cases superior, to the skills required of workers in the similar occupations ashore. If anything, the limited facilities and materials available for work on board ship, and the emergency conditions under which the work must often be done, call for a higher degree of ingenuity and training than related shoreside craftsmen would ordinarily need. Yet on board ship these occupations receive lower rates of pay than their fellows ashore, and they also receive no overtime pay for their 4 hours of work beyond the 40-hour workweek. This gross inequity should be eliminated by applying to them also the basic 40-hour week and time and one-half for all hours worked beyond that period. Perhaps if that were done the shipowners would find that it was not necessary to hold these men at their tasks for the extra 4 hours. Perhaps better facilities might be provided which would quicken the work. Or much repair work could be done in port by shore gangs who would not then be undercut by seamen doing shipyard workers' jobs at seamen's pay.

Again, it is entirely feasible to house on shipboard the extra men required by the four-watch system. If all men on board ship stood watches, the four-watch plan would require the addition of one-third more men. Since several types of workers, as shown, are not involved in the watch-and-watch schedule, not more than a quarter of the total ship's complement would need to be added. On ordinary 10,000-ton freighters with an over-all crew of officers and men totaling 42 to 50, gun crews up to 28 naval men were carried during the war. The quarters assigned to these men would therefore accommodate an increase in ship's personnel of well over half. These quarters are now being locked off, or in some cases converted for passengers. By law, freighters are not allowed to carry more than 12 passengers. If all of the former gun-crew space, or even that part of it not needed for the limited permissible passenger list, were turned over to merchant seamen, there would be no shortage of quarters for the fourth watch.

Furthermore, the argument that the 40-hour week will leave the seamen with far too much free time on their hands flies in the face of modern thinking about leisure and self-improvement. This argument, like those already considered, will be mouthed by the same men who opposed the reduction in the working day from 12 hours to 10, and from 10 hours to 8. Work at sea is arduous and heavy. The life is more vigorous and the need for rest greater. For the deck and engine men there are two different watches, breaking up the period off duty. For the stewards' department there is still a spread of hours over a 12- or 13-hour period.

Many seamen use what little free time they have to study and prepare for their certificates of higher rating or for their licenses. Others like to paint or write. The United Seamen's Service has held some highly popular and large art exhibits of the work of seamen. There are debates and planned recreation programs among the crews of many of our vessels. Aboard some of our large troop transports debates have been arranged between members of the crew and various military personnel for the education and amusement of both the troops and the crew.

It is nonsense to suggest that the seamen will not know what to do with the extra free hours occasioned by a decent working week. He will use them to good avail.

Finally, the added expense of the fourth shift can be met by suitable adjustments within the industry. The same objection of insurmountable expense was raised against the three-watch, 8-hour day for engine-room workers in 1915. It was raised again against the extension of this provision to deck crews in 1936. In both cases, once the law was enacted the ship owners bore up nobly. They improved their manner of cargo handling. They built larger and speedier shipre which could carry more cargo more miles in less time. They rearranged this,

finances so as to continue operating and to coin profits on top of high executive salaries. The companies can adjust themselves again. A properly computed operating differential subsidy, administered so that it actually goes to meet ship labor costs and not to support company financial manipulations, would take care of any unavoidable deficits due to the fourth shift.

The seamen's unions of America do not think so poorly of the American shipping interests as to believe that they cannot, if willing, adjust themselves equally well to a 40-hour week for oceangoing merchant ships. American seamen are deserving of the maximum workweek long since established for industrial workers ashore.

SHIP OWNERS' ABILITY TO PAY

Without personnel sufficiently well compensated, the American merchant marine cannot develop as a healthy organism. This industry is no different from any other. Its workers have the right to maintain a decent standard of living in terms to which this Nation has grown accustomed.

From the data previously presented an understanding can be derived of a seaman's economic requirements and what he must do to meet them. Some 75 percent have dependents; the average work year at sea consists of little more than 8 months. His average earnings hover about the $1,500 mark yearly. With that, he can barely reach a minimum emergency budget, and is debarred from ever attaining adequate health and decency standards. It is obvious what effect upon the economy of his family a failure to enact the 65-cent minimum wage will have.

As a last resort, the employers, as usual, fall back upon the time-worn argument that the industry cannot afford to pay a living wage. This is the only industry wherein management habitually confesses its incompetence, and demands that the seamen, who are only a minority of the operating personnel in the industry, turn over their pay envelopes to the shipowners to meet foreign competition.

Any claim by the shipowners that they cannot afford the increase in seamen's pay which would result from the enactment of a 65-cent minimum wage is refuted by the economics of the industry. Few persons have been in a better position to know the financial details of maritime operations than Mr. Edward N. Hurley, formerly Chairman of the United States Shipping Board and of the Federal Trade Commission. In his book, the New Merchant Marine, Mr. Hurley states:

"In estimating the cost of operating a 10,000-ton ship valued at $2,000,000, an allowance of 7 percent must be made for interest, 5 percent for depreciation, and 6 percent for insurance. There remains the necessity of providing a reserve for replacing the ship if she should outlive her usefulness. This item will absorb another 6 percent. These allowances will make up an annual capital charge of $480,000, or $1,315 a calendar day. Compared with this figure, the other principal items of operating expenses are small. The daily pay roll of the ship's company will not exceed $175, and the average daily expenditure for fuel oil throughout the vessel's life will be about $240, to which must be added the cost of food, deck and engine supplies, painting, and drydocking. Moreover, the capital charge goes on day in and day out, whether the vessel is cruising or tied to a dock."

If we add to the daily capital charges of $1,315, $240 for fuel, plus an average of only $50 for food and docking expenses, we have a total of $1,605. As against this normal daily operating cost we have a charge of $175 for labor. The daily labor cost of the vessel, then, amounts to little more than 10 percent of the average daily cost of operation. The precise figures used by Mr. Hurley probably underestimate present day costs; but cost factors have risen in approximately equal degree, so that the relation between them is not materially changed. The labor cost of operating a vessel now as then amounts to not more than 10 or 15 percent of the total cost of operation.

Thirty-six percent of the unlicensed personnel on ocean-going ships are already receiving 65 cents or more an hour, and would not be affected by the proposed legislation. Application of the 65-cent hourly minimum to the remaining 64 percent would raise the weighted average hourly rate for unlicensed sea-going personnel from a present 61.7 cents an hour to 66.9 cents or about 8½ percent. But computations based on the War Shipping Administration's figures of labor cost of operating a Liberty ship show that wages of the unlicensed personnel form only 56 percent of the total labor cost. Hence a raise of 8½ percent for the unlicensed men would raise total labor costs only about 4¾ percent.

Again, as has been shown, the labor cost of operating a vessel is only from 10 to 15 percent of all operating costs. Therefore the proposed increase to 65 cents

hourly minimum, raising total labor costs 4¾ percent, would bulk only to one-half to three-fourths of 1 percent of total costs of operation. The hours provisions of S. 1349 would bulk 2 to 4 percent at most. To say that this minor increase in costs cannot be met by the managers of the shipping companies is both ridiculous and untrue.

The claim that a minimum wage of 65 cents would unduly burden the industry is of the same stock with the perennial claim made by shipowners during all negotiations for union agreements. The operators declare that maritime labor costs are so much higher in the United States than in other countries that the operators are at a severe disadvantage in this internationally competitive industry. That this claim of the shipowners is utterly unfounded is borne out by the following observations of Mr. Hurley:

"The successful competition of American ships with foreign ships depends on such considerations as these (the encouragement of American shippers to use American vessels), and not upon such details as the small differences in the wages of seamen. * * * If the American wage scale were doubled tomorrow, the American steamship owner would not have as much to worry him as he has today in the doubt whether or not merchants of his own country are going to patronize his homeward-bound ships in preference to patronizing the ships of his foreign competitors for American business."

This perennial cry of American shipowners, that American labor costs are too high and cannot be raised any higher without destroying the industry, is also refuted by Mr. J. H. Rosseter. Mr. Rosseter was formerly both vice president and general manager of the Pacific Mail Steamship Co., and vice president of William R. Grace & Co. He had 30 years' experience in operating American vessels in competition with the Japanese, the Norweigan, the English, and the German. When asked to give his view on the comparative cost of operating ships under the American flag and under other flags, Mr. Rosseter made the following statement:

"The prejudice of higher costs of manning, by which I mean larger crews at higher pay and extra cost of victualing, can be fairly stated as amounting to less than 2 percent of the total operating expense."

If the watered stock were squeezed out of the industry, overcapitalization eliminated, and fixed capital charges reduced from 7 percent to 4 or 5 percent, the 65-cent minimum wage could be made universal for the industry without the slightest danger of bankruptcy.

The shipowners' excuse that they cannot pay higher wages because of foreign competition is refuted by other facts.

In the years between 1923 and 1933, when wages on American ships were even lower than those on many flying foreign flags, the American merchant marine degenerated to the lowest point in its history. This proves that it is necessary to pay decent wages to American seamen to guarantee an efficiently operated and stable American merchant marine.

The shipping industry does not exist independently of others. Without shipbuilding and ship-repair facilities it could not function. It depends upon railroads, upon longshoremen, upon harbor workers. The labor costs of these industries directly affect the cost of water transportation. Yet for some reason, the workers there can be paid a living wage. Even the administrative staff employed by shipping operators, the office clerks and stenographers, are paid according to prevailing industrial standards. Only the seamen are expected to sacrifice. It is their wages which, it is said by the shipowners, make all the difference between ability and inability to meet foreign competition. The shipowners cannot explain why the shoreside wages paid to the majority of the operating personnel in the industry have no such effect.

It is only when he works aboard ship that the seaman loses his right to a decent wage.

The union can cite endless examples of wage rates paid seamen for working ashore on jobs that require comparable skill and training.

For the sake of brevity, however, we will cite two examples right in the industry:

1. On the Pacific coast, the shipowners pay an able seaman $1.34 an hour for painting a ship, This is the same rate paid painters in the shipyards. When the same seaman goes on board the same ship and works as a member of the ship's crew he receives 61 cents an hour for painting a ship.

2. In the Pittsburgh area where the union has contracts, a deckhand on the Pittsburgh boats receives 78 cents per hour He is also furnished board and room in addition to the 78 cents per hour.

Shipowners are not reluctant to accept operating subsidies for themselves but they resist every attempt to divert these subsidies into the pockets of maritime labor where they rightfully belong. The Merchant Marine Act of 1936 declared the intention of Congress to maintain maritime wage rates at a fair level, and the seamen have a right to expect that this will be done.

While protesting fear for the financial health of the industry, the employers remained discreetly silent about their wartime profits. The record of hearings before the House Committee on Merchant Marine and Fisheries on H. R. 1425 is replete with such data.

In the 4 years 1940 through 1944, 12 subsidized shipping companies had a net profit, before income tax, of $190,000,000 and a net profit after income tax of $172,000,000. In addition, these 12 companies in the five years between 1940 and the end of 1944, deposited over $231,000,000 in the tax-free capital reserve fund and nearly $85,000,000 in the tax free special reserve fund.

The unsubsidized lines, too, have been showing substantial profits. The coastwise lines in the years 1940 through 1943 made profits of $91,742,000 before taxes and profits of $45,421,000 after taxes. The intercoastal lines made profits of $75,889,000 before taxes and $33,697,000 after taxes. The unsubsidized foreign lines made profits of $110,876,000 before taxes and $54,774,000 after taxes. In addition the coastwise lines deposited $11,262,000 in a tax-free construction reserve fund, the intercoastal lines deposited $9,480,000, and the unsubsidized foreign lines $7,346,000.

Attached is a fuller study of current profits of representative shipping companies. It appears as if the only section of the industry that is expected to do without a decent income level is the seagoing personnel.

From time immemorial the shipowners have consistently opposed every progressive step in labor policy for the industry. Thirty years ago, in the debate on the La Follette Seamen's Act, Congressman Helvering stated the situation in these words:

"In the history of navigation we have seen progress made in the effort to protect human life and in the improvement in the conditions surrounding the men who sail the sea * * * There has been a betterment of conditions, we all admit, but is it not a fact that every improvement has been reluctantly given by the shipowner in response to an irresistible public demand? * * *

"We have met just such objections before; in fact, we cannot move in here in the direction of legislating for humanity that we do not hear a wail from the men whose sacred dollar is assailed and who are so intent upon its worship that their ears are closed to the cries of suffering humanity * * *

"On the one hand, then, we have the men who oppose this bill because they want their dollars protected, and in advocacy of this bill we have the pleas of those whose business it is to spend the best part of their lives on the sea."

The position is no different today. The shipowners' objections to the bill are devoid of merit, economically or morally. A minimum wage of 65 cents an hour and a 40-hour week are demanded in justice and equity to American maritime workers. In the interests of the seamen and of a strong American merchant marine, the proposed bill should be enacted into law.

LAKES SEAMEN NEED S. 1349 TOO

More than 20,000 seamen are employed on the Great Lakes. In the main these seamen are much the same as the men who ship deep sea. During the war the Lakes seamen worked late in November and began again early in April, carrying the raw materials of weapons to the mills, despite the dangers and difficulties of the Lakes waters in wintertime.

It is estimated that 1,500 vessels of varied design ply the Great Lakes. These vessels include ore carriers, package freighters, oil tankers, car ferries and even some oceangoing cargo vessels. In point of importance the ore carriers are far out in front. In fact, the ore carriers typify Lakes shipping almost to the exclusion of all other vessels. More tonnage is carried on these vessels each year than the total foreign commerce of the United States.

Ore carriers are large and technically advanced vessels. Some are over 600 feet long with a 60- to 65-foot beam. Most ore vessels have triple-expansion engines and coal-burning boilers. Lakes navigation requires great skill and care, with lights and buoys playing an important part.

The entry ratings on Lakes ships are called coal passers, deckhands, and porters. They correspond to the entry ratings in the engine, deck, and stewards' departments on deep-sea vessels. On the Lakes the entry ratings receive $148.50 to $153.50 a month for 240 hours of work. The average hourly rate is 62 to 64

cents an hour. The bulk of the highly skilled men aboard the vessels, the wheelsmen, the able seamen, the watchmen, the oilers, the firemen, the cooks receive approximately 75 to 80 cents an hour.

A surface comparison of wage rates on the Great Lakes and deep sea would indicate a considerable differential in favor of the former. However, it must be remembered that Lakes operations are seasonal. During the war years 8 months of employment was squeezed out by some men because they braved ice floes and wintry seas to feed the steel mills. In normal years 7 months' employment is about the average period of operation. Seven months at $150 a month is only $1,050. Seven months at $180 for the highly skilled ratings is only $1,260. Families cannot live on that kind of money particularly in the States of Michigan, Ohio, Illinois, Indiana, New York, Pennsylvania, Wisconsin, and Minnesota, where most Lakes seamen reside.

Of course, the Lakes seamen attempt to supplement their incomes in off-season months. In wartime many could secure jobs in war industries, and others went to the ocean ports for a voyage or two. In peacetime off-season work is more limited and more difficult to secure.

Then, too, it must be remembered that 6 months on a Lakes vessel is 8 months of shoreside working time condensed into 6 months. Vacations with pay are virtually unknown on the Lakes. A man must take his needed rest and vacation at his own expense.

All that has been said of the need for an adequate minimum wage for deep-sea men applies with equal force to Lakes seamen. All that has been said about the concentrated form of employment in deep sea, about the hazards, loneliness, and separation, applies with equal force to Lakes seamen. The facts which prove that subsistence is not a part of wages for deep-sea operations apply with equal force to Lakes operations.

The need for a decent standard of working hours aboard Lakes vessels is even more imperative than in the deep sea trades. Lakes seamen work an 8-hour day, 7 days a week, for months on end. They are in port only for a few hours at the end of each voyage. For many of the ratings the 8-hour day is in a spread of 24, and many seamen work 16 hours on end.

The Lakes operators have construed the three-watch law to mean that only that complement required to be on watch by the vessel's certification need to be granted an 8-hour day. For the deck this means only the wheelsmen and the watchmen. The deckhands in many cases work around the clock. The Coast Guard which is charged with the administration of the marine-inspection laws looks the other way.

Lakes seamen are in desperate need of a decent working day. The introduction of a 65-cent minimum wage, an increase in 2 years to 75 cents, and the institution of a 40-hour week on Lakes vessels could be paid for by the Lakes operators without noticing the relatively small increase in cost. There can be no question about the ability of the Lakes operators to pay.

The Lakes carriers are mostly industrial carriers. As the National War Labor Board said in 1943: "The shipping lines across the Great Lakes constitute the arteries and jugular veins of the continental corporate structure of industrial America." These industrial corporations pay unskilled labor in their industrial plants shore side a minimum of 75 cents an hour. There can be no justification for denying less to skilled workers who face greater danger and more hardship aboard the Lakes fleet.

The provision of S.1349 would constitute at most an increase of a few percent in total operating costs of the Lakes fleet. The Lakes carriers can well afford this increase.

Here is what Fortune magazine said about the Lakes carriers in 1940:

"Per day these freighters' expenditures are about $790 each, which breaks down into $185 for labor, $35 for food, $190 for fuel, $90 for depreciation, and $95 for insurance, and the rest for towing, general repairs and maintenance, oil and grease, general overhead, and miscellany. This includes a prorated daily $25 charge for lay-up and fit-out to cover the $5,000 it costs them to put a ship in commission at the beginning of the season * * *

"Hence the price of ore within this integration is only a matter of bookkeeping, and the 'cooperation' that might exist among the 'magnates' is superfluous. Cooperation does exist, of course, in a group so closely related by blood and money. The companies form a unique sort of business group, wherein the word of a gentleman known to the directors is worth more than a contract drawn by 50 lawyers and a letter of introduction from a friend of a friend is a better entree than a certified check. These pleasant conventions indicate that Lakes shipping is an eminently safe business, confined to a favored few, as the casual observer might also gather from the flunkies, the ankle-deep carpets, and the general atmosphere of wealth, security, and exclusiveness that permeates the offices as unmistakably as the odor of Nuit de Noel (perfume) thickens the air in the lobby of the Ritz."

It is a far cry from the lives of the men who own these ships to that of the men who sweat to operate them. A 65-cent minimum wage, an increase within 2 years to a 75-cent minimum, an American working day, are indeed modest demands for our Lakes seamen.

BOATMEN NEED MINIMUM WAGE, MAXIMUM WORKING WEEK

On our inland waterways there are some 50,000 seamen who are afflicted with substandard wages and conditions. Of all maritime workers these inland seamen are probably the most exploited. Sailing the inland waterways is equally as dangerous, as arduous, and demanding of skill as seafaring on the oceans or lakes.

Modern river boats are concentrated power on hulls. Many of the larger boats generate 1,200, 1,600, 2,000 horsepower. They are equipped with Kort nozzles and other new developments. Navigation on the rivers requires great skill if groundings and collision are to be avoided.

The contribution of inland-waterways transportation to the war effort cannot be overestimated. These waterways transportation lines absorbed a large share of the petroleum-distribution problem when war demands diverted the deep-sea tanker fleet to servicing the armed forces. The movement of coal to steel mill, of sulfur to chemical factories, of grains and 100 other vital cargoes by barge line reached new peaks during the war.

The major handicap in the wartime performance of this industry was substandard wages and small compensation for the very long hours of work. Within recent months certain barge lines have paid wages as low as 18 cents an hour for laundresses aboard the boats. Skilled ratings such as deckhand were paid as low as 42 cents an hour.

Rivermen work a 12-hour day, for irregular stretches without regard to Sundays or holidays. They are ostensibly compensated for the additional hours beyond 8, and for the lack of regular weekly rest days, by having a specified number of days off at the end of the work stretch. A recent War Labor Board decision set a monthly rate for deck hands in three major companies of $139, with 105 paid "leave days" yearly. This amounts to $139 for 255 hours' work, or barely 55 cents an hour. In the majority of companies the monthly wage is lower and the days of paid leave are fewer. In these concerns the weighted average wage for a deck hand is $125 for 293 hours, or 43 cents an hour. In all cases, if a man works only 29 days with one company and then ships with another, he loses his accumulated paid leave, thus reducing still further his average hourly earnings.

Approximately one-third of the 7,000 workers on the Mississippi system are deck hands. Another sixth are in the comparably paid ratings in the engine room. Still another sixth are in the lower paid ratings of maid, laundress, or messman.

The waterways problem is not a southern problem. The Mississippi towboat industry extends from Minneapolis to New Orleans, from Pittsburgh to the mouth of the Ohio River, from Chicago to St. Louis on the Illinois waterway, and from St. Louis to Kansas City on the Missouri River. On the New York State Barge Canal wages for deck hands average from 45 to 50 cents an hour. On the intercoastal waterways which range from Texas to New York, the wages for a deck hand range from 26 to 52 cents an hour.

Gross intra-industry inequities are perhaps more sharply demonstrated in the towboat industry than in any other. In the Pittsburgh area, the steel and coal companies operate their own barge lines largely carrying coal to the mills. Deck hands on these tows are paid 78½ cents an hour, a rate comparable with the common labor in the steel mills. In the Columbia River area on the west coast, deck hands average 63 to 75 cents an hour. To all these underpaid men and women of the rivers the enactment of a 65-cent minimum wage would be a tremendous lift toward humane living standards.

They deserve additional considerations, too, for the long hours which are typical of their employment. In all previous discussions looking toward shorter hours for maritime workers, the most concentrated opposition has come from representatives of the river and harbor companies. "Our employees are satisfied with their conditions," they said. "Increased cost to meet provisions of bills would make rates prohibitive and tend to destroy the business and the industry."

The bills "are out of all reason." It is "impossible to carry this number of crews on a boat." "Such a law would positively ruin our business." The Inland Vessel Operators in Inland Waters Tributary to the Gulf of Mexico telegraphed:

"This organization of principal towboat operators in the States of Louisiana and Texas considers the provisions * * * impractical and impossible of compliance. If they are enacted by Congress they will bankrupt all legitimate operators in these States and, in our opinion, elsewhere over the United States."

That was 1938, and the towboat and tug companies won their point. The rivermen's and harbormen's hours were not shortened. Today that condition need no longer obtain. Granted that there are small craft operating on the rivers and harbors, the structural limitations of which do not permit carrying enough men for four watches. Nevertheless, constructive compliance with the 40-hour provision of the bill can be secured in another way. The towboat companies have themselves shown how. The method needs only to be improved and extended.

As stated, the towboat and barge companies allow their men, in lieu of short hours or weekly rest days, a number of paid leave days monthly. These paid free days range in number with different companies from 60 to 122 a year. There is no valid reason for either the diversity or the smallness of these numbers.

The Fair Labor Standards Act now requires payment at the ratio of time and one-half for all hours worked beyond 40 a week. If the boatmen must work an 84-hour week, they should be compensated by being allowed paid free time in the same ratio—an hour and one-half for every hour worked beyond 40 weekly.

To give the men credit for time and one-half, the number of leave days for all of them needs to be increased to 122 a year, the present maximum in some companies. In this way the practical difficulties of providing a rigorous 40-hour week on these special types of boats could be overcome with substantial justice to the men.

Our inland boatmen have been relegated to the same inferior industrial status as our deep-sea seamen. They have no 8-hour day or 40-hour week. Sundays and holidays are unrecognized. They are not eligible for unemployment benefits. Their first concern is economic security. They have long fought for a living wage. Our inland and deep-sea seamen jointly urge prompt and favorable action on this bill, which would establish a 65-cent minimum wage, and in some measure make up to the men and women concerned for the long hours and extended work stretches common to this industry.

EXHIBIT 79

FOOD AND TOBACCO WORKERS NEED A 65-CENT MINIMUM WAGE

Brief of FTA-CIO in support of S. 1349 for a 65-cent minimum and to extend coverage and overtime provisions of the FLSA

In supporting S. 1349 to amend the Fair Labor Standards Act, sometimes called the wage-and-hour law, the Food, Tobacco, Agricultural and Allied Workers Union of America, CIO, is fully aware that the question at issue is whether this country can maintain the high production level reached during the war period, or whether we must return to prewar national income levels—and to the unemployment and depression for all groups in the population which would follow.

Our answer is the answer of the American people. We must maintain production in peacetime. We have the manpower, resources, and ability to produce in ever-increasing abundance in the factories and on the farms. Passage of a 65-cent minimum wage law and provision of overtime payment at time and one-half after 40 hours a week for all workers in industry will contribute to this end. To make its maximum contribution, the Pepper bill should go further toward the goal of universal coverage than it does as presently written.

As President Truman said in his message to Congress on September 6, "the foundations of a healthy national economy cannot be secure so long as any large section of our working people receive substandard wages. The existence of substandard wage levels sharply curtails the national purchasing power and narrows the markets for the products of our farms and factories." President Truman, therefore went on to recommend a substantial increase in the minimum wage and to urge complete coverage for seamen and for workers who process agricultural products, many of whom are now partially or wholly excluded from the law.

900,000 food and fiber processing workers involved

This union, FTA-CIO, represents some 80,000 workers covered by FTA contracts. The workers in our industries number over 900,000—more than 400,000 cannery workers; some 225,000 workers who pack fresh fruit and vegetables in packing sheds; about 75,000 tobacco workers, makers of cigarettes, cigars, and other tobacco products; and close to 50,000 workers in cotton compresses and cottonseed oil mills. (See exhibit 1 at the back for full list.) Over 400,000 of these workers make less than 65 cents an hour, which is less than $26 a week on a 40-hour basis, and less than $1,300 a year assuming they work an average of 40 hours a week for 50 weeks in a year.

FTA-CIO is also directly concerned with the welfare of farm workers.

In connection with our industries we will describe the rate structure; the present incomplete coverage of the Fair Labor Standards Act; the special interests which have operated to retard progress in these industries; and finally, we will sketch the economic situation in each industry, a survey which indicates that increased wages and complete coverage can be achieved without disrupting present relationships—beyond reducing current swollen profit levels.

But first of all we will explain why the Pepper bill is a "must," why it is essential to the Nation's welfare that this bill be passed into law.

I. FULL EMPLOYMENT

The problem which confronts us today is essentially simple. The enormous production of our factories during the war has brought home to all segments of our society the paradox of our ability to produce, and at the same time our apparent inability to distribute the results of our productive efforts. During this war American industry decided to produce, and it produced. It has done a tremendous job. Is it now to shrink to its prewar size, to be curtailed by the traditional economy of scarcity, or are we to find a way to make full use of our productive genius for the benefit of all classes of people?

Abundance is possible

That this paradox is recognized by business leaders is shown by the statement made by Walter D. Fuller, former chairman of the board of the NAM, who spoke as follows to 400 Pennsylvania bankers in May 1942:

"One thing is certain, the people of this country are fighting this war for a better world in which to live. They would like to get it through democracy, liberty, and free enterprise. But they are determined to have this better world of greater security one way or another, and if they don't get it through present principles, they will look elsewhere.

"The handwriting is on the wall. We either must cut the cloth to fit that pattern or the reformers and demagogues will. We can point to past accomplishments of free enterprise until hell freezes over, but people are concerned about the future, not the past.

"This country cannot return to 'the good old days' after this war, because those days just weren't good enough. They were the days when 28,000,000 people were receiving some form of public assistance; when there were 10,000,000 unemployed; when there was want amidst plenty. They were the days of idle money, idle men, and idle plants. * * * Even in 1929 there were more than 42 families in 100 with incomes less than $25 a week."

Furthermore it is clear that the American people recognize the fact that our industrial plant is fully able to supply the whole population with the material necessities of decent living. They expect that its political leaders will show the requisite statesmanship and ingenuity necessary to bring sound, long-term prosperity to this Nation. The results of a Fortune poll of July 1942 show that they are ready for a sharp departure from the past in order to bring about satisfactory living conditions. "74 percent of them want medical care for everyone who needs it; 74 percent want old-age pensions for every citizen over 65; 68 percent want jobs for everyone in public work if private work is not available; 58 percent want unemployment compensation during the interim * * *."

If more evidence is needed to show that the American people expect their government to take positive action to bring about a more abundant life for the masses of the people, recall the political appeal of both major parties in the 1944 elections. A 65-cent minimum is one step on the road to a positive program toward realization of the more abundant life.

Needed: $40,000,000,000 more purchasing power

The consumer must play a major role in maintaining full employment in the postwar world. In 1944, about $50,000,000,000 went into goods and services for war. To keep up this production we must find new markets. About $10,000,000,000 may come from foreign buyers, through export trade. The other $40,000,000,000 will have to come from those who work for a living—farmers, workers in offices and factories, including 11,000,000 returning veterans—simply because these people and their families are the bulk of the people who need and can use goods and services.

Last year we spent about $97,000,000,000 for consumer goods. By next year this must be increased by about $40,000,000,000—or else depression starts.

If we succeed, then we will have expanded our living standards by close to 50 percent. We will have achieved the postwar America for which we fought. There will be enough jobs in the cities at fair wages and plenty of work on the farms, with fair returns.

It is clear that the wartime level of income must not only be maintained but increased if we are to move the output of American industry producing at a rate of $200,000,000,000 a year. This level must be maintained in the face of a 20 percent reduction in hours and approximately a 25 percent loss in take-home earnings.

65-cent minimum will help

This reduction in consumer purchasing power is a serious matter to the Nation as a whole. The establishment of a 65-cent minimum will not, on an over-all basis, by any means make good this deficit. It will, however, be a large factor and its effect on industries such as food, clothing, and construction of new homes and buildings. For example, it is estimated by the Department of Agriculture that children in families with incomes of less than $1,000 eat less than half the amount of milk and green vegetables consumed by children in families with incomes over $2,500. As low-income families spend a high percent of total income on food, it is obvious that an increase in the minimum wage will in turn increase the amount of money spent on farm products.

As to clothing, a survey conducted in 1939 under Government sponsorship showed that if every person spent at least as much on clothing as is spent by members of families with incomes of $1,800 per year, production of clothing would be increased by 10 percent.

A more graphic illustration is given by Dr. Isadore Lubin in his testimony before the Temporary National Economic Committee in 1938. Dr. Lubin stated that 5,200,000 nonrelief families were earning $1,250 or less per year and that if their wages were increased to $1,500 per year, the effect on business would be as follows: $800,000,000 more would be spent on food that year; $416,000,000 more on clothing; $613,000,000 more on rent; $224,000,000 more on household furnishings and equipment; $213,000,000 more on fuel, light, and refrigeration; $285,000,000 more on transportation; $234,000,000 more on recreation; $208,000,000 more on medical care.

As far as specific industries are concerned, the results would have been: an additional $11,000,000 spent on oranges; an additional $13,500,000 spent on cosmetics and toilet preparations; an additional $45,000,000 spent on movies; an additional $22,000,000 spent on silk and rayon dresses; an additional $47,000,000 spent on electric refrigerators; and an additional $119,000,000 spent on automobiles.

This is a striking illustration of the effect which would result from a relatively small increase in the purchasing power of approximately 15 percent of our families, the kind of families which would be most benefited by a 65-cent minimum wage. Clearly the whole economy feels the effects of this kind a of shot in the arm.

Pepper bill will expand farm markets especially

The particular importance to farmers of raising the income levels of wage earners was outlined by Secretary of Agriculture Clinton P. Anderson in his testimony supporting the Pepper bill. "A large part of the solution to the farm problem ahead must be sought," he said "in the direction of expanding the total market for agricultural products."

What is this "farm problem" which we face? It is one of enormous productive capacity during the war and an even greater potential production capacity after the war, so great that "farmers will need every possible increase in market outlets if they are to move their products into consumption at reasonable prices," according to Secretary Anderson. Failure of the market to match the increasing production of agriculture—its advances in use of fertilizer, machinery, etc., will mean a serious price situation for farmers.

The proposed amendments to the Fair Labor Standards Act will "aid materially in widening the farmer's market for the things he has to sell," in the words of Secretary Anderson. Raising minimum wages is a direct attack on the problem. The facts are presented by the Secretary of Agriculture as follows:

"Families with annual incomes below $500 ordinarily consume in a year only a little more than 1,000 pounds of food per person. The type of food which they buy is relatively cheap. However, families with incomes of $5,000 and more per year buy about a ton of food per person. Moreover, the type of food which they purchase is fully twice as expensive per pound as that purchased by the lowest-income groups. High-income families eat much more fruits, meats, dairy products, and vegetables than do low-income families. The latter depend heavily on bread, potatoes, beans and similar relatively inexpensive foods. If, therefore, we can have a general rise in family incomes, we can be assured of expanding markets for food products—particularly for foods that supply the minerals and vitamins essential to good diet."

It is clear that a 65-cent minimum wage and time-and-one-half pay after 40 hours—and no exemptions to these basic standards—is an urgent necessity for a healthy American economy. This one consideration alone should cause Congress to pass the Pepper bill, and pass it swiftly.

II. Substandard Living

A minimum wage of 65 cents per hour rising to 75 cents in 2 years is an important first step in an over-all program to bring about full production in peacetime, and to bring at least partial relief to those millions of American families living at or below the subsistence level.

65 cents actually yields only meager family income

It should be clear to everyone that the annual minimum wage of $1,352 figured on 52 weeks of work a year at 40 hours proposed by this bill is a very modest amount. An emergency WPA budget for a family of four corrected for 1944 prices is $1,621, or an hourly rate of 78 cents. It should be emphasized that the WPA budget is designed for emergency use, which may be necessary under depressed conditions but which, as the Government warned, "may prove harmful to both health and morale if continued for a long period of time."

If a comparison is made with the budget prepared by the Heller committee to provide a health and decency standard, the $1,352 annual minimum wage proposed by this bill seems almost ridiculously low. The Heller committee budget calls for an expenditure of $2,964 or an hourly rate of $1.42.

On the basis of the emergency WPA budget, it can hardly be denied that 65 cents should be fixed as a minimum wage if the American standard of living is to have any meaning at all to the millions of families at the bottom of our economic ladder.

WLB failed to root out substandard pay

Our wartime wage policy in theory required eliminating wages which did not yield at least a barely adequate standard of living for American families. But in practice it is apparent that the War Labor Board did not carry out this policy. Although 65 cents is the recognized minimum figure which with any soberness can be considered a level for eliminating substandard living, the WLB never adopted that figure.

Executive orders gave the Board unlimited discretion in eliminating substandard wages, and under this broad grant of authority regional boards established minimum rates as high as 65 cents per hour. But the National Board did not concur in the recommendations of its regional boards and rejected the 60- and 65-cent rates, fixing 50 cents per hour at that time as the rate below which wages would be considered substandard.

At present, only the 55-cent minimum has been reached as the basis of national minimum wage policy, and that with hesitation and reservations.

Most increases to this level simply compensate for the increased cost of living, and often then not fully. There can be no pretense that a 55-cent minimum abolishes substandard living.

During the war period the question of a genuine policy of eliminating substandards was evaded because of fear of expanding buying power too greatly when the supply of civilian goods was limited. This was a false argument because other means for preventing price rises and inflation were at hand—such as rationing and price control—and could have been used more decisively. However, be that as it may, no such consideration is now present. Quite the opposite.

Need now, if we are to avoid a deep depression, is for expanded buying power for civilian goods.

Now we are confronted with the opportunity of taking a decisive stride forward in making the American standard of living a reality for everyone. It is clear beyond shadow of doubt that this is possible and sound. We cannot let the opportunity slip.

III. Wages in Food and Fiber Industires

Hundreds of thousands of food, tobacco, and fiber processing workers work and live as class B American workers. The wage levels in these industries are way below those prevailing in American industry, and, on top of this, large groups of workers in these industries are denied the usual overtime payments for work over 40 hours per week.

7 to 49 cents below average factory wages

Today, taking figures for the year 1944 as a measure, average hourly earnings in the canning industry are 25 cents below the average for the manufacturing industries as a whole; cigar wages are 35 cents below; and cottonseed-oil workers make 49 cents less per hour than the "average" American worker. (Figures for these and other food and fiber processing industries for which the data are available, are shown in chart 1, following, and in exhibit 2, at the back. By comparing food and fiber industries to manufacturing as a whole, the real contrast is minimized because the low-wage industries are themselves part of total manufacturing.)

Behind these average figures which range way below manufacturing industries is the story of large groups of substandard wage workers. We have mentioned above that some 400,000 workers in these industries—including packingsheds and cotton compresses for which the average hourly figures are not available—are below 65 cents an hour. This is apparent in the average hourly earnings of 53 cents for cottonseed-oil workers, and thousands are below 65 cents in the canning industry where average hourly earnings are 77 cents an hour, and even the average figure of 95 cents for cereal preparations includes workers below the 65-cent level.

Back in the 1930's the labor of many food and fiber workers was paid only 10 and 15 cents an hour.

The minimum level of 25 cents an hour was established by the Fair Labor Standards Act in October 1938. In the year 1939 the wage level of cannery workers lagged some 18 cents behind the general manufacturing earnings, cigar workers were making 22 cents less, and cottonseed-oil mill workers, at the bottom of the industrial wage ladder, only averaged 30 cents an hour as late as 1939—34 cents an hour less than the average for all manufacturing together.

Spread between other industries wider since 1939

The spread has actually widened since 1939—in spite of the rise in the levels. This again reveals the urgency of raising the minimums as a start in lifting these industries out of a class B level. The industries which expanded for war production are the higher paid industries. But now we must look to the civilian goods industries, of which food and fiber are an important part, for expanding job opportunity and buying power from their workers. We cannot allow higher paid war workers to go into substandard jobs in these industries. To do so would invite a disastrous contraction in our national economy.

Pay in these industries should be "standard"

Work in the food and fiber industries is like work in any other factories. Packing from conveyer belts in the sheds is no different from packing in any other industry. Preparing and processing vegetables and fruits in canneries is no different from preparing and processing materials in other factories. And so on down the line.

A man from Mars—or an impartial observer from this planet visiting factories of all kinds—would fail to see any reason for lower wages in these industries. Nor would he understand the overtime and other exemptions in the Fair Labor Standards Act which make an already bad situation worse. And his conclusion would be right. There is no logical, inevitable reason for the class B wage levels in these industries.

There are various factors which explain—but certainly do not justify—the lower wage levels. Among the food and fiber processing industries are ones which employ many women; others which employ Negroes and people from other minority groups, such as Spanish-speaking workers and Filipino people; other employ numbers of migratory workers. These are people who have traditionally been discriminated against—but a prosperous America cannot tolerate such discriminations.

The bargaining position of the workers has been weak, and only recently, with the advent of the CIO policy of organizing all workers, has this begun to change substantially. But organization is far from complete in these industries which are located typically in small establishments, and scattered widely all over the United States. For example, there are some 48,000 food and kindred products plants, excluding meat packing and beverage establishments. These 48,000 plants employ about the same number of people as work in the steel industry (blast furnaces and rolling mills) plus the auto industry of Michigan—altogether under 523 factory roofs, in contrast to the 48,000 food plants.

The union stands for a 65-cent minimum and has introduced this—and higher minimums—in many of its contracts, as well as standard overtime pay. But the workers do not yet have the organizational strength to get rid of substandard wages thoughout the food and fiber industries, in every plant and in every town. This must be accomplished by national law.

IV. Coverage

Prosperity and an American standard of living come with no "ifs", "and's" or "but's." The Fair Labor Standards Act sets out to establish minimum wage and hour conditions for workers in interstate commerce. It does so for some 21,000,000 workers. Another 20,000,000 workers are exempt, although they are in interstate commerce. Some 4,000,000 workers are not covered because they are in intrastate commerce and therefore under the jurisdiction of the States. (See exhibit 3, at the back.))

19,000,000 more should be covered

Congress should provide for coverage of all workers in interstate commerce It does not make sense to guarantee purchasing power—except for 20,000,000 workers. Minimum wages and overtime hours provisions are good policy for all workers.

By including about 220,000 seamen and removing exemptions from some 800,000 or more agricultural and fish processing workers, the Pepper bill is beginning to tackle the problem. (To fulfill this role, however, the bill will have to remove the seasonal exemption as well as the others which apply to the 800,000 food and fiber workers in manufacturing industries, as explained below.) The Pepper bill is modest and can be passed without hesitation.

Congress should press forward from this point to establish coverage for the other 19,000,000 workers now exempt.

Minimum wages for farm workers would be good policy

In connection with agricultural workers, this could mean establishing protection for workers on industrialized farms. Coverage would be extended to well over half a million farm workers if a minimum-wage law were passed for workers on farms employing 8 or more workers. This would affect some 30,000 farming establishments.

We use the phrase "farming establishments" advisedly, for farms of this size are not ordinary farms. They are big concerns, often corporation farms, which have too long competed with the average working farmer by means of low-wage labor.

For example, in Rochelle and DeKalb, Ill., ex farmers now employed on the farms of the California Packing Corp., one of the biggest cannery concerns, made an effort to raise their wages through collective bargaining. This failed at the time because they had no rights under the Wagner Act and because they did not care to strike in wartime—and strike was their only alternative.

If wages on the Cal Pak farms had increased, this would have benefited the independent, small farmers who grow the same crops. Higher costs on the corporation farms would set a floor beneath which the products of the farmer's labor need not be sold in the highly competitive farm-products market.

Overtime pay imperative in food and fiber industries

Present exemptions for workers in factories which process agricultural commodities are ironical and especially ill-advised. Workers in these industries should have overtime after 40 hours guaranteed to them for the very reason that their work is frequently of a seasonal nature, making it imperative that their year's earnings be pieced out with overtime when they can get work. This would contribute to maintaining their share of buying power.

Moreover, overtime payments are doubly important to workers whose wage scales are already low. The range of average hourly earnings would not be so wide, for instance, between canneries and other manufacturing industries, if the cannery workers were paid extra for overtime hours as are workers in other factories.

Granting of exemption periods, furthermore, may actually intensify seasonal operations. In tobacco-leaf houses handling green tobacco, for instance, the work is crowded into a 14-week period during which overtime need not be paid after 40 hours. This forces farmers to market their tobacco quickly when frequently they would prefer to wait for more favorable prices. The exemption period in effect puts a premium on seasonality. This is contrary to the goal of year-round operations and steady annual incomes.

Coverage provisions of Pepper bill

Here are the facts on coverage of food- and fiber-processing industries. The Pepper bill calls for removal of the following exemptions:

1. *Year-round hours exemptions.*—Section 7 (c) of the present law says that some 177,000 workers need not be paid a single penny of overtime, no matter how many long hours they may put in in the course of a week. These workers are: Some 40,000 engaged in "the first processing of milk, whey, skimmed milk, or cream into dairy products;" about 60,000 engaged in cotton ginning; another 22,000 workers who man the cotton compresses; some 25,000 cottonseed-oil mill workers; and 25,000 workers processing "sugar-beet molasses, sugarcane, or maple sap, into sugar (but not refined sugar), or into sirup."

2. *Fourteen-week hours exemption.*—The second part of section 7 (c) provides that no overtime need be paid to cannery and packing-shed workers for 14 weeks—over 3 months in a year—thus denying to over 600,000 workers a guaranty of extra payments for long hours which these workers would receive if they were engaged in other manufacturing industries.

This section also exempts from overtime payments for 14 weeks the first processing within the area of production of any agricultural or horticultural commodity during seasonal operations, and handling, slaughtering, or dressing poultry or livestock.

3. *Year-round hours and wages exemption.*—Workers in other factories must, according to law, be paid at least a minimum wage. But workers on products which happened to come out of the water, are unfortunate. If they put fish in cans, for instance, they need no wages and hours protection, according to section 13 (a) (10) of the present law. Thus some 50,000 fish cannery workers were excluded from the minimum guaranties of the Fair Labor Standards Act at one fell swoop.

4. *Year-round hours and wages exemption in area of production.*—If the location of a cannery, packing plant, or certain other operations is in the area of production, the act now says that workers in these establishments should have no wages and hours protection. Because the meaningless phrase, "area of production," has at present no definition, it is not possible to say how many workers are affected. Under the last effective definition, about 175,000 workers were exempt. Some 1,250,000 workers are employed in the industries enumerated in plants which can be wholly exempt if they are located in the area of production, set forth as follows in section 13 (a): "any individual employed within the area of production (as defined by the Administrator), engaged in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in their raw and natural state, or canning of agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products. * * *."

Seasonal exemption should also go

These are the exemptions affecting agricultural products and fish-processing workers which the Pepper bill will remove. The bill, however, as now written, does not propose removing the seasonal exemption in section 7 (b) (3). Limiting coverage in this manner is illogical and, we should suppose, accidental. To leave this exemption is contradictory to the other provisions of the Pepper bill.

This seasonal exemption—which should most certainly be removed—provides that in industries declared to be seasonal by the Wage and Hour Administrator for a period of 14 weeks—more than 3 months—time and one-half overtime need not be paid until after 12 hours per day and 56 hours per week. In practice, industries such as canning and packing have therefore been exempt from overtime after 40 hours for a total of 28 weeks—over half a year. By removing the 14 weeks' exemption in section 7 (c) as proposed by the Pepper bill, workers in such industries would be relieved of part of the discrimination.

But they would still be subject to long hours of work without overtime, in effect penalized, because they work in a seasonal industry. The definition of seasonal is drawn so that "nature" is the cause of the seasonality. Workers who are penalized because they cannot engage in their occupations year-round are thereby further penalized by being denied payment for their extra long hours when they do work.

A cannery worker, for instance, can stand under a tin roof sorting tomatoes, in the sweltering August heat, to the cool days of late September until first frost, working from 5 a. m. to 5:30 p. m. (with a half-hour break for dinner) and get no overtime pay. That could not happen in rush seasons in other industries, but because she works on tomatoes, that, somehow is supposed to be different.

Even the canning industry itself had not foreseen that it could claim exemption for both 14-week periods. It assumed that it could not do so. A publication of the National Canners Association dated June 1938, which analyzes the law soon after its passage, says:

"Those canning operations *which are not exempted from the workweek limitation under section 7* (c) may nevertheless obtain some flexibility in operation under subsection (b) of that section which permits employment in excess of the prescribed workweek.

" '(3) for a period or periods of not more than 14 workweeks in the aggregate in any calendar year in an industry found by the administrator to be of a seasonal nature.'

"Under this exemption, however, employment may not exceed 12 hours in any workday or 56 hours in any workweek without payment of overtime. *Whether this particular amendment,* which is not specifically directed to the canning industry but more broadly to any seasonal industry, *will be applicable to any branches of the canning industry—which are unable to secure flexibility of operations under the other exemptions—remains to be determined.* It would seem, however, that this particular provision might prove useful in certain repacking or remanufacturing operations which are normally carried on only seasonally." [Italics supplied.]

"Area of production" farce

The "area of production" provision calls for total exemption of plants in certain industries from both wages and hours provisions under section 13 (a) (10) and for a 14 weeks hours exemption for plants in these and other industries in section 7 (c)—a tidily complicated situation in itself, but this confusion is by no means the main abuse in the area of production exemptions.

By removing this exemption, the Congress will remove one of the most inept provisions in labor law. The plain truth is that no living soul knows what the area of production is. Congress for obvious reasons had to give up the attempt to define it in the law—and in looking at the legislative history it is apparent that the few Congressmen who were grinding the ax of the food-processing interests to "get out from under" simply wore down and worried (mainly by frequently mentioning farmers) the bulk of the legislators who finally gave up—in the interests of getting the question settled somehow and the Fair Labor Standards Act passed into law. The definition of area of production was left up to the Administrator.

A definition of "area of production" as it applies to fresh fruit and vegetable packing was issued by the Administrator in October 1938. This was redefined more exactly in April 1939, in an effort to overcome the vagueness of the original definition which had resulted in continual controversy. An amendment was issued in June 1939 in a vain effort to try to further clarify the matter. Then in October 1940, the following definition was promulgated which lasted until it was thrown out by the Supreme Court in a 5 to 4 decision in June 1944:

"An individual shall be regarded as employed in the area of production within the meaning of section 13 (a) (10), in handling, packing, storing, drying, preparing in their raw or natural state, or canning of perishable or seasonal fresh fruits or vegetables for market:

"If he performs those operations on materials all of which come from farms in the general vicinity of the establishment where he is employed and the number of employees engaged in those operations in that establishment does not exceed 10."

The reason the bare majority of the Supreme Court ruled this out was, to put it as briefly as possible, because the number of workers could not be used as a consideration in defining an area.

So the Wage and Hour Administration in an effort to try to work out a definition had to make extensive field trips, hold hearings in various areas, ending in national hearings attended by interested parties from all over the United States. The new definition has not yet (September 20, 1945) been issued.

Area exemption creates unfair competition

The union's position is that any definition would have to exclude plants from the area of production which were in competition with plants outside this geographical area. Any other arrangement would surely set up discriminations as between plants—an inequity which the general purpose section of the law did not contemplate. The union proposed certain criteria which would have to be met by an employer if he were to be certified as in the area of production.

The union can see no other way—as cumbersome as this would be—in which the area of production exemption can be administered. Extensive hearings were also necessarily held by the Wage and Hour Division for other industries, such as tobacco, dairy products, grain, cotton, etc., in which the union made the same type of prpposal.

This troublesome history of the area of production exemption in itself proves the mischievous nature of this exemption. Several of the State cannery associations object to the exemption because it causes discrimination within industry itself, giving some plants advantages over others.

Overtime after 40 hours is customary

Generally in American industry, time and one-half after 40 hours prevails. Factories in which food and fiber is processed should be no exception.

In the approach of many of our States to this question there is no distinction made between these and other industries. Hawaii and Puerto Rico alone exclude cannery or packing-shed workers from the minimum wage law for women. On the other hand, the following States have specific provision to include certain food-processing industries. (In contrast to the Fair Labor Standards Act which excludes fish canneries and processing plants in the area of production from both the wages-and-hours provision:)

California: Fruit and vegetable canning; handling farm products after harvest.
Maine: Packing fish and fish products in oil.
Massachusetts: Canning and food preparation.
Oregon: Fruit and vegetable canning; cherry stemming and pitting; nut processing and cracking; canning, dehydrating, and barreling.
Washington: Fruit, vegetable, fish and other canning; packing of fruits, and vegetables.
Wisconsin: Canning or first processing of perishable fresh fruits and vegetables.

The following States have maximum-hour laws for women with no exception for canning and packing industries: Arkansas, Kentucky, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Texas, and Wyoming.

NWLB policy not limited by exemptions

Although the National War Labor Board issued no overtime policy statement covering plants enjoying exemptions under the Fair Labor Standards Act, in practice it both ordered and permitted extension of overtime provisions way beyond the requirements of the Fair Labor Standards Act.

The National War Labor Board applied its customary cautious yardstick; namely, to allow changes only if they complied with industry and/or area practice, or if they were necessary to correct intraplant inequities. Even within this limited framework, followed in general outline by the regions, considerable extension of coverage to plants exempt by the wage-and-hour provisions was accomplished. (See exhibit 4, at the back, for full discussion of War Labor Board policy and cases.)

The Michigan canning industry illustrates this development during the war. The regional war labor board permitted contract provisions for overtime after 40 hours (and in some cases, after 8 hours a day) in the following instances:

J. C. Morgan., Traverse City, Mich., January 1945.
J. J. Gielow Co., Detroit, Mich., April 1945.
Crystal Canning Co., Frankfurt, Mich., May 1945.
Gerber Products Co., Freemont, Mich., May 1945.
Cherry Growers, Inc., Traverse City, Mich., settled July 1945.

The two other organized canneries in Michigan will undoubtedly shortly move into line, bringing to a total of from 2,500 to 3,000 cannery workers covered for overtime after 40 hours (as a minimum) out of a total 20,000 cannery workers in Michigan. The regional board could not resist the logic of allowing the same overtime pay to these workers which is generally paid to other factory workers.

The basic concept of the 40-hour week was accepted by the 1944 National Conference on Labor Legislation composed of the representatives of the governors of 36 States.

The conference, concerning itself with problems of State labor legislation, went on record for "enactment of State laws providing for penalty overtime for all workers, for hours worked beyond 8 a day and 40 a week." They did this in recognition of the fact that "maintenance of purchasing power is directly connected with hours of employment."

Representatives of governors of States in all areas of the country, sat on the committee which proposed this move, and voted in favor—representatives from Maine to Florida, to California and back through Wyoming to the East. This is an expression of considered opinion and a recommendation for action in the State field which affects much lower paid and industries with longer hours than the industries which fall under the jurisdiction of the Federal Government—intrastate industries such as hotels, restaurants, and laundries.

To sum up, universal coverage is the only means of guaranteeing minimum purchasing power which, in turn, is the necessary underpinning for full production.

Exclusion of any group is, therefore, a mistake. The exclusion of food- and fiber-processing workers in especially illogical because these are the very industries, of a seasonal and low-wage nature, where overtime payments are most necessary.

Ability to operate without exemptions—if there should be any question on this score—is indicated by the provisions of State laws and by developments under War Labor Board practice. The ability of the industries to pay the extra costs will be disclosed even more fully in the discussion on the industry economics of the question.

V. Political Pressures

The fact that the food and fiber industries process agricultural products has been used to justify lower standards in these industries. This relationship to the farmer has been cleverly and carefully nurtured by antilabor groups claiming that "in the interests of farmers," low wage standards must prevail in these industries and that they must actually be exempted to one degree or another from the provisions of the Fair Labor Standards Act.

This is a hoax, as destructive to the true interests of farmers and of the Nation as it is to the interests of labor. But first of all, how does this pressure group operate?

As social legislation became so popular that it could not be defeated, opponents set about figuring how it could be limited and weakened. The strategy which resulted in exemptions in the Fair Labor Standards Act cannot be under stood, separate and apart from the campaign also to limit the Wagner Act and the Social Security Act. They are all of one piece.

Farm workers were left out of all these laws—although, as we have seen above, to raise the standards of labor employed on big farms would benefit the working farmer. Exclusion of the farm workers is in the direct interests of the highly organized corporation farms whose seat of power is in California. And these "banker-farmers" are tied in with the food-processing interests.

Once farm workers are excluded, the next step is to try to get industries which process agricultural commodities labeled as "agriculture." This was partly accomplished when packing sheds were defined as agricultural in the amendments to the Social Security Act in 1939.

Again, in the passage of the Lea Rider this year prohibiting use of War Labor Board funds for packing shed cases, this strategy was pressed forward. This time the plants affected were "bargaining units composed in whole or in part of agricultural laborers as that term is defined in the Social Security Act."

"Farmer"-Lawyer McDaniel talks smoothly

Ivan G. McDaniel, lawyer-lobbyist, has for years been the leader in the fight to exclude agricultural processing workers from social legislation. Mr. McDaniel functions as counsel for the Agricultural Producers Labor Committee which, as the LaFollette committee showed, is closely related to the Associated Farmers of California.

Mr. McDaniel has included in his agenda a long and steady barrage at the Wagner Act. His role in the 1939 campaign to weaken the act is revealing. This is how "farmer" McDaniel described himself when he testified at that time:

"I am now interested in and assisting in operating a farm in California where we raise grapefruit, oranges, and do general farming. At this particular time I

support my family and help pay the expenses of the farm through the practice of law * * *."

His attack on the Wagner Act was in the best Tom Girdler style:

"The control of the labor involved in these packing-house operations through which farm products pass in being cleaned, washed, graded, packed, or stored * * * will result in the control of the Nation's food supplies, as these establishments are the bottlenecks through which these products must flow."

In 1940 when the Buck amendment to the Fair Labor Standards Act proposed incorporating into it the social-security definition of agriculture, Representative Lee E. Geyer of California exposed the true nature of this campaign, a campaign that is typical of this whole series of attacks on social legislation:

"Why is the Congressman from California proposing to enlarge the definition of agriculture?" asked Representative Geyer on the House floor. "That answer can be found only too clearly in the evidence which I am about to present to this House which has been taken from the sworn statement of witnesses who testified before the Senate Civil Liberties Committee during the last year," he continued.

"This evidence shows that the now notorious organization, the Associated Farmers of California, adopted a three-point program to exclude from the benefits of the Social Security Act, the Federal wage-and-hour law and the National Labor Relations Act all workers engaged in the processing, packing, and handling of agricultural commodities.

"This ruthless program to read this group of industrial workers out of all social legislation has been set forth in a resolution of the Associated Farmers for the last 3 years as a matter of public record * * *.

"This organization, as the evidence shows, secretly financed by the industrial corporations in Los Angeles and San Francisco, has striven to drive a bridge between industrial workers in cities and working farmers in agricultural communities * * *.

"So we are asked now to accept an amendment originating with these farmers. Did I say 'farmers'?"

The union is well aware that in urging proper coverage of the food and fiber processing industries, it is bucking an organized lobby with a long and sometimes effective history. Since the food processors—spearheaded by "farmer" McDaniel—sometimes succeed in convincing Congress that they are truly speaking in the interests of farmers, the question of the interests of farmers should be examined in some detail.

Real farmers talk full production

The basic point has already been made. The farmers' welfare turns on full production at fair prices. Those who masquerade as farmers in an effort to defeat measures for full production are knifing the farmers. Earnings of the close to 6,000,000 self-employed farmers increased from $4,200,000,000 in 1939 to $12,300,000,000 in 1943. It is the conditions of 1943 which must be maintained and improved.

Today the farmers recognize that their well-being is directly tied up with the postwar level of employment and production. The three major national farm organizations have gone on record for full employment and an economy of abundance. They, like labor, recognize that abundance is indivisible. We cannot have a prosperous Nation while we have an impoverished South. We cannot have a prosperous economy unless agriculture is also prosperous, and the farmers have come to realize that they cannot have adequate outlets for their production unless there is full employment in industry. Labor has come to realize that the farmers must be assured fair prices for their products, and it therefore supports the farmers' demand for guaranteed farm prices that will provide the farm family a decent living in accordance with President Roosevelt's second bill of rights. Similarly, the farmers are supporting labor's demand for jobs at decent American rates of pay.

Two specific arguments are current among those who masquerade as farmers in an effort to defeat higher minimum wages and overtime pay. One in general, namely, that higher wages mean higher costs of the manufactured products farmers must buy. Secretary of Agriculture Anderson answered this by showing what happened when the Fair Labor Standards Act was passed, a measure which its opponents had claimed would ruin farmers:

"It is evident that the passage of the Fair Labor Standards Act of 1938 did not bring about any apparent increase in the prices of commodities purchased by farmers," Secretary Anderson told the Pepper committee recently.

"That act was passed near the end of June 1938, and became effective about October 1 of that year. The quarterly index of prices paid by farmers for items used in family living stood at 122 in June 1938. (The average of 1910–14 equals 100.) By September of that year it was down to 121; in December it had declined to 120; and in both March and June of 1939, it was 119. It was not until September 1939 that the index reached the level of 122, at which it stood in June 1938. Moreover, it declined slightly after June 1939, and a full year later, in the middle of 1940, the index was still below the level of mid-1938. The same general movements were apparent in the index of production items—farm machinery, fertilizer, building materials, seed, etc.—as in the family living items. There is no need to give the detailed figures. They tell the same general story as those I have just mentioned."

The other argument relates specifically to the agricultural processing industries. Here the claim is made that increased costs of processing will be taken out of the price paid to the farmer for his products. But there is no shred of proof on which to hang this argument. Price movements of farm products are not related to costs in processing industries. On the other hand, the upward movement of farm prices since the passage of the Fair Labor Standards Act indicates that increased buying power is one of the essential conditions for fair prices to the farmer.

Those who claim that standard wages in food and fiber processing plants go counter to the interests of farmers conveniently and consistently overlook the fact that farmers or members of their families often work in these canneries, packing sheds, and tobacco and cotton factories.

Farm people work in processing plants

Mr. McDaniel says that he works as a lawyer to help pay the cost of running his "farm." Not many farmers work as lawyers to help pay the cost of running their farms. But the census shows that nearly a million farmers (987,000) work off their farms something less than 150 days a year, and another three-quarters of a million work off their farms 150 days or more a year. The census states that these are "farm operators." There are millions of other farm people, members of the farm families, who also work off the farms. If Mr. McDaniel would get a job in one of these canneries or packing sheds, instead of practicing law, he could see things from a perspective more closely related to that of the farmers.

The modest proposals made in the Pepper bill for improving the Fair Labor Standards Act are directly in the interests of farmers from every vantage point. Bankers-in-overalls will do the farmers a sorry disservice if they engineer defeat of these amendments under the head of "protecting the farmer."

VI. Ability to Pay

The food and fiber processing industries can comfortably pay the increased wages involved in a 65-cent minimum and full coverage for both the wage and overtime provisions of the act. Five considerations lead to this conclusion: Profits; the relation between wages and value of products; the fact that expansion is expected in these basic civilian industries; increasing productivity and efficiency; and examples of plants which already meet the minimum pay and overtime after 40 hours conditions.

Food and tobacco profits have soared

Profits in food industries stood at $969,000,000 in 1944, an increase of 217 percent over the average profit level of $306,000,000 in the years 1936 through 1939. Tobacco industry profits in 1944 were $154,000,000, an increase of 27 percent over the average profits of $121,000,000 in the 1936–39 period. (See charts 2 and 3, following. Profits are before income taxes since wages are paid before taxes are calculated and paid.)

These profits represent a high return on capital. Some 218 food and kindred products corporations made a return on net worth of 25 percent in 1943, while the return on net worth was 20 percent for the 20 big tobacco concerns which for all practical purposes comprise the industry. (Source: War Profits Study No. 11, OPA.)

Estimates by OPA of the cost of the 65-cent minimum show that the added cost can be easily absorbed by profits. Increased wages in the food and beverage industry as the result of the 65-cent minimum would total $65,000,000. This is only 6.4 percent of the 1944 profits. (Profits in the food and beverage industry taken together—the only basis on which the comparable figures of industry wage bill are available—were $1,415,000,000 in 1944.)

For the tobacco industry the additional cost of the 65 cents minimum would be $14,000,000 or 9.1 percent of the 1944 profits.

Wage costs small in relation to total costs

Wages as a proportion of value of products to the manufacturer are unusually low in the food- and fiber-processing industries, ranging, with one exception, well below the percentage which prevails in manufacturing industry as a whole. This factor makes the absorption of increased wages relatively simple in these industries.

To illustrate what a small factor a wage increase is in the total picture, we use the figure of a general 20 percent increase in wages. Actually the wage increases involved in the 65 cents minimum are only 11 percent of the present wage bill in the tobacco industry and 3 percent in the food and beverage industry.

In manufacturing generally, 16 percent—or 16 cents out of every dollar received for them by the manufacturer—goes to wages. A 20 percent wage increase is only 3.2 percent of the value of the products at the manufacturing level—and of course much less at the retail level.

In the canning industry, the percentage of wages is 11 cents out of the manufacturer's selling price—and a 20 percent wage increase is therefore a little over 2 cents of the total. This relationship in the bulk of the food and fiber processing industries is 5 percent or less, meaning that a wage increase of 20 percent would be about 1 cent of the value to the manufacturer.

In cigars, however, the proportion is 21 percent, a reflection of the fact that a section of this industry is on a hand basis. When products are made by hand, wages of course are a more substantial item of cost. The relation of wages to value of products is shown in greater detail in chart 4, following, and in exhibit 5, at the back.

Expansion expected

The profit levels of these industries are in relation to the present high level of production.

There is every prospect that this level will be maintained and increased. Falling off in consumption of fresh fruits and vegetables, of canned foods and of tobacco can only occur if the country falls into depression. Failure to establish more adequate minimum wages and overtime coverage would be a contributing cause to such a calamity.

As the country switches from a war to a peace economy we have every right to expect expansion of the food and fiber industries along with increased production in the other civilian goods industries.

Increasing productivity

Calculating the cost of a wage increase by simple arithmetic at one point in time in reality exaggerates the final effects of the wage increase, for it neglects to consider such factors as increasing productivity and efficiency.

It is generally conceded that this tendency will be strong in such industries as food and fiber processing in the postwar years, especially if the minimum wages are increased and overtime payments generally established.

After the disruptions of the war period, the industries will again be able to operate in a more normal fashion. Old-time workers who left for higher-paid war industries will return. If wage and hour conditions are more nearly on a par with other industries, turn-over will be reduced and the most capable workers will be attracted to the industries. And steady improvements in management and methods of operation which have in the past, in all industries, been speeded and induced by rising wage levels, are expected to continue to take place in these industries.

Cost of overtime payments

Although the union cannot estimate the direct cost of the increase in the wage bill due to time and one-half payments after 40 hours where this has not previously been paid, it is apparent that this increase can be easily absorbed out of profits, also. The total amounts involved would most certainly be less than the increases from the 65-cent minimum—and even if these increased wage costs from overtime were as large as the increases from the 65-cent minimum, they would still be only a small proportion of profits.

In outlining the picture of the industries' ability to pay, we present below a brief statement industry by industry in which the main factors are set forth, including examples of plants which already meet the conditions of the Pepper bill.

1. FRUIT AND VEGETABLE CANNING AND PRESERVING

The canning industry is characterized in the past 10 years by sharply increased profits and production and by some increase in wages. All sections of the industry—including the sections which cried "ruin" loudest when the 30-cent minimum went into effect—have weathered the increasing wage level more than comfortably. Advance to an industry-wide 65 cents minimum wage level and payment of time and one-half after 40 hours can be easily supported out of profits.

Profits have increased 344 percent

Profits of 24 canned and frozen food companies rose from a level of $6,265,000 in 1936–39, to $27,794,000—an increase of 344 percent. Return on capital increased from 5½ percent in the years 1936–39, to 20 percent in 1943. (Source: War Profits Study No. 11, OPA.)

Continued expansion of the industry is related very directly to rising incomes. Use of canned foods is a mark of a relatively high standard of living. The very poor cannot afford much fruit and vegetables in any form. It has been estimated, the Wage and Hour Division reports, that the average family in New York City uses twice as much canned foods as does an average farm family or a family in the South, groups where incomes are generally substandard.

Per capita consumption of canned vegetables rose from about 14 pounds per person in 1920 to over 25 pounds per person in 1941. Canned fruit consumption increased from 11 pounds per person in 1920 to over 19 pounds in 1941. (Recent figures are not revealing since they include only civilian per capita consumption.)

This steady trend upward in use of canned foods was of course accompanied by expanding production—some 4,858,000,000 pounds of canned fruits, juices, and vegetables were produced in 1929; this had increased to 6,309,000,000 pounds by 1939; and to 10,049,000,000 pounds in 1944.

Examples of minimums 65 cents and over

About one-third of the canning industry is on the west coast, where a 65-cent minimum, or higher, already prevails. Generally throughout the other areas the usual minimum wage is still only 45 to 50 cents, with the exception of some union canneries.

Although the level of wages on the west coast has traditionally been higher than in the other areas, progress has been made in recent years in eastern, midwestern, and southern areas. The big Campbell Soup canneries in Camden, N. J., and Chicago, Ill., are now above the 65-cent level. The Gerber baby food plant in the low-wage area of Fremont, Mich., has finally been pushed up to a 65-cent minimum and J. J. Gielow in Detroit, Mich., and the Harbauer Canning Co., in Toledo, Ohio, pay a 70- and 65-cent minimum, respectively, in spite of the low level of food-processing minimum wages in those States.

Farm wages pushed cannery wages up

In view of the fact that fear of exerting pressure on farm wages has been used as an argument against raising cannery wages from substandard levels, it is interesting that in the war period the shoe has been on the other foot. The canners were pressured into seeking increases from the generally rock bottom (40 cents) cannery wages because of more attractive farm labor wages in many areas. The Wage and Hour Division's 1943 report on the canning industry notes that—

"The influence of farm labor rates on canning labor rates for the 1943 season has already been a cause of concern to many in the industry. The Michigan Canners' Association, for example, petitioned the War Labor Board at its February 1943 convention to take steps to raise wages in the canning industry. It noted 'the sharp advance in wages of farm labor within the State, which in many sections already has advanced far above the level at which wages in the canning factories have been frozen.'"

As the result of such petitions from a number of State cannery associations throughout the lowest-wage areas, the Wage Labor Board granted general permission in many States for immediate increases for the 1943 season. Usually permission for 10-cent wage boosts were granted. The canners were not required to go through the usual Board procedure of obtaining permission in each plant.

This pressure of farm wages on cannery wages had already taken place in Florida, as the Government report quoted above indicates:

"At the request of the Florida Canners Association, the War Labor Board approved a wage increase of 25 cents * * *. This wage rate affected between 9,000 and 10,000 workers whose prevailing *wage rate last year was reported as 37.6 cents per hour.*" [Italics supplied.]

The history of the application of the 35- and 40-cent minimum to the canning industry has a bearing on the present question of a 65-cent minimum for these earlier increases were resisted by the lowest wage sections of the industry in very much the same manner they may be expected to oppose a 65-cent minimum.

The union is therefore including in this record an analysis of application of the 30-cent minimum which shows that this increase probably directly benefitted the industry—and in any case, surely did not injure it (exhibit 6).

This anaylsis pays special heed to the tomato canneries of the Eastern Shore (Tri-State area of Maryland, Delaware, and Virginia) and to the Ozarks (Arkansas) industry since they had protested the "outrageous" 30-cent level most vehemently. The Maryland tomato canners had even caused the Wage and Hour Division to make a special study of their canneries, claiming that unless the 20-cent wage were relaxed, they could not operate. The Wage and Hour Division concluded that the canneries needed no special and unusual treatment. History has amply born out this conclusion.

Some canneries pay standard overtime

The following canneries pay time and one-half after 40 hours a week (and some after 8 hours a day):

Bergoust-Wilson, Seattle, Wash.; California Packing Corp., Rochelle and De Kalb, Ill.; Campbell Soup Co., Camden, N. J., and Chicago, Ill.; Cherry Growers, Inc., Traverse City, Mich.; College Inn, Chicago, Ill.; Crystal Canning, Frankfort, Mich.; Gerber Products Co., Fremont, Mich.; J. J. Gielow, Detroit, Mich.; Harbauer Canning, Toledo, Ohio; Huston & Baetz, Fullerton, Calif.; J. C. Morgan, Traverse City, Mich.; and Sardik Food Products, Lockport, Ill.

First success in winning year-round payment of time and one-half after 40 hours came in the Campbell Soup canneries in 1941. The tomato seasons have come and gone since, with the usual hectic rush and long hours to process the tomatoes as they rolled in from the farms. The only difference has been that the workers have been paid extra for the excessively long hours of work necessary to save the tomatoes from spoilage.

The company has pleaded for removal of the year-round overtime pay as each successive contract came up for negotiation. They plead undue hardship and unfair competition since most other canneries are not paying time and one-half in peak seasons.

But the union has, of course, insisted that a backward step is no way to solve the problem. Instead, the union has pushed ahead to negotiate similar provisions in other canneries. Sound national policy requires that the minimum requirement of time and one-half after 40 hours be applied to all canneries by removal of the present exemptions in the Fair Labor Standards Act.

Since wages in the canning industry are only 11 percent of the value of product, a wage increase resulting from a universal 65-cent minimum and payment of overtime is even easier to absorb than a similar increase in manufacturing generally.

This relationship is illustrated for the canning industry by the 1943 situation. When the 40-cent minimum, which affected some 29 percent of the workers, went into effect, the Wage and Hour Division estimated that the industry wage bill would be increased by 3⅜0 percent. Applying the labor cost factor, this meant only a four-tenths of 1 percent increase in relation to total cost. (And since salaries were included in figuring the wage cost in the industry, this is a most conservative estimate.)

Such a slight increase presents virtually no problem to an industry. It can be absorbed through profits and increased efficiency, as pointed out above in the general discussion of ability to pay.

2. PACKING SHEDS

The packing-shed industry is highly competitive. Commercial packing operations are carried on so that the produce can be shipped to distant markets, which are national. Important areas of the main sections of this industry are already paying a 65-cent minimum wage. They have supported sharp wage increases in recent years, partly influenced by the passage of the Fair Labor Standards Act which found sections of the industry resting complacently at such wage levels than 10- and 15-cent hourly wages were not uncommon.

65 cents prevails in California citrus-packing sheds

California, the largest section of the citrus industry, is today paying a 65-cent minimum with the exception of about 2,000 "learners" employed in the southern region. Upward of 32,000 workers are employed in California. In central California the 5,000 workers have a 74-cent minimum wage.

In the Florida industry a 50-cent minimum is general for the approximately 25,000 workers. Wage levels in Texas, the smallest section of the industry with some 5,000 workers, are the lowest.

The wage bill is a small proportion of the packing-shed operating cost—found to be only 9 percent in 1939 when the effects of the 30-cent minimum were studied by the Wage and Hour Division. It was estimated that an increase in the wage bill of 3⅜0 percent necessary to establish the 30-cent minimum would increase the packing-shed operating cost, therefore, by only about four-tenths of 1 percent; that is, less than 4 mills per dollar of operating costs. (See exhibit 7, at end, for the average hourly earnings and percentage of cost figures, by areas as well as totals.)

Shed workers are factory workers

The citrus interests have taken a leading part in campaigning to limit wage increases and coverage under the Fair Labor Standards Act. They have attempted to establish that this is essentially an "agricultural" industry, and, in any case, that wage gains would cause hardship on the "farmers." (It is hard to conceive of the big citrus growers, at least, as farmers in the usual sense of family farming. The big operators are essentially businessmen and substantial ones.)

The notion of "agricultural work" should have been put to rest once and for all when a Government committee sent to investigate labor relations in the Florida industry, made this conclusion, quoted in the Wage and Hour Division's citrus fruit packing report of 1940:

"The packing-house employees are distinctly industrial labor. They are used in cleaning, grading, and packing fruit. They are factory workers, skilled and unskilled, carrying on routinized operations. They are the adjuncts of belt conveyors, mechanical graders and other typically industrial machinery * * *."

Around 60 percent of the citrus production is handled by cooperatives formed by the growers. This fact has been used to encourage the idea that increased wage costs mean less return to the grower for his crop.

In an analysis of this situation—quoted at length in exhibit 8, at end—it is demonstrated that absorption of a cost increase is essentially no different for cooperatives than for ordinaty operators. This analysis of cooperatives in the citrus industry points out that actually cooperatives have a greater possibility than other operators of achieving absorption of increased costs through increased efficiency in operation of the packing shed. (The most important point in any case, is that wages are only a tiny fraction in the total cost picture.)

Major fruit and vegetable area pays over 65 cents

Union contracts covering the 22,000 fresh fruit and vegetable packing shed workers in California and Arizona all call for minimum rates well above 65 cents, in fact the minimum rates run from 75 to 90 cents an hour. Minimum rates in the tomato-packing industry in Florida are also above 65 cents. While in the Rio Grande Valley of Texas, several packing houses have recently started to pay the 65 cents minimum wage.

The lower wage sections of this highly competitive industry covering products such as lettuce, carrots, melons, pears, tomatoes, without question can easily pay a 65 cent minimum wage. The unusually favorably relationship of wages to costs is similar to that in the citrus industry.

Overtime in the sheds

In the California-Arizona union contracts in the fruit and vegetable sheds (covering some 22,000 workers) and in some of the Texas shed contracts, where organization has only recently started, the 8-hour day has been established. Workers are paid time and one-half after 8 hours a day. The union contracts in California and Arizona in addition call for time and one-half for work between 6 p. m. and 7 a. m.

The packing-shed industry of Florida—both in the tomato and other vegetable sheds and in packing citrus, takes full advantage of the exemption periods, which in practice means that they pay no overtime rates.

The packing-shed citrus industry of California is virtually on the same basis, with the exception of the central region which employs some 5,000 packing-shed workers. Here, overtime has been established after 8 hours a day, and after 6 p. m. But in the southern area where about 27,000 citrus packing-shed workers are employed, the situation matches that in Florida—the shippers are undisturbed

in their traditional policy of working people any hours they choose without extra payments of any sort.

3. TOBACCO INDUSTRIES

Cigarettes

Highly concentrated in the hands of a few big companies and notoriously profitable, it is a disgrace that the cigarette industry does not pay as good, or better wages than other manufacturing industries. Actually, at the present time, it pays 29 cents per hour less. A 65-cent minimum is, therefore, an especially modest proposal in connection with this industry.

In 1939 the average hourly earnings in the cigarette industry were 56 cents, in contrast to an average of 64 cents in manufacturing industries as a whole—9 cents below the average, an average which of course includes the low-paid industries along with the others.

By 1944, cigarette average hourly earnings had risen to 76 cents, but average earnings in industry as a whole were $1.02 an hour, a spread of 26 cents.

21-percent rate of return on capital

Profits of five big corporations, which account for about 90 percent of the production of cigarettes and for all practical purposes are the industry, averaged $92,850,000 in the years 1936–39. Return on net worth was at the tidy rate of 17 percent, which compares with 9 percent realized big manufacturing corporations as a whole in those years. By 1943, the profits of these five dominating corporations had risen to $121,989,000, which was a return of 21 percent on net worth. (Source: War Profits Study No. 11, OPA.)

One result of the high level of profits in the cigarette industry has been the payment of lush salaries to the high officials. Outstanding case is George W. Hill, president of the American Tobacco Co., makers of Lucky Strikes. His salary in 1943 was $275,275—all aside from whatever his income may have been as a stockholder. (It should be remembered that salaries are deducted as a cost, before profits are figured.) Another example is the payment of $100,085 to S. Clay Williams, for his services as chairman of the board of directors of Reynolds, in 1943.

Labor costs only 2½ percent of total

There is a further factor which decisively underscores that the cigarette industry long since should have reached at least average American wage levels. The proportion of labor costs to the total value of product is lower than any other industry in the country. It is only about 2½ percent. That means that for every dollar's worth of cigarettes sold by a manufacturer, only 2½ cents went to labor in the cigarette factory. (In terms of a pack of cigarettes which a manufacturer sells, say for 9 cents, only two-tenths of 1 cent—$0.00225—would be paid to cigarette manufacturing labor.)

This exceedingly low labor cost relationship means that the cigarette industry could absorb substantial wage increases under any circumstances. Merely advancing to a 65-cent minimum will be an easy accomplishment for the industry.

When this labor-cost calculation was made for the cigarette industry in relation to establishing a 40-cent minimum under the Fair Labor Standards Act, it was discovered that the 40-cent minimum would increase the total industry wage bill by 1 percent, and that the percentage increase in manufacturing costs would be only four one-hundredths percent. (This was conservatively figured, using 3½ percent as proportion of labor to total cost. Salaries were included with wages, and salaries of officers of corporations were subtracted from total value of products.)

This 40-cent minimum was put into effect in 1942, directly benefiting around 5,000 cigarette workers who were still below the 40-cent level at that time.

The cigarette industry is concentrated in North Carolina, Virginia, and Kentucky. Wage levels tend to seek a common level. The only cigarette company the union has under contract is the Reynolds Co. (Camels), in Winston-Salem, N. C., the biggest plant of them all, now employing about 12,000 workers. (The bulk of the cigarette plants were previously organized by the AFL.)

Industry now below 65-cent minimum

Although our union has made substantial wage gains in its 2 years of bargaining experience with Reynolds, we have been unable to establish the 65-cent minimum because—so the company claims—of the highly competitive situation. The

minimum has been raised from the 40 cents which prevailed in 1943, to 55 cents today. Establishment of a national 65-cent minimum will overcome this difficulty in the entire industry.

Average wages in 1940 varied only 3½ cents as between the regions, with average wages still around the 55-cent level. Detailed figures would show that the current average level of around 75 cents would not vary much either, with the exception of North Carolina which would show a slightly higher range because of the influence of recent wage negotiations with the Reynolds Co.

Below are the 1940 figures which show the geographical distribution of the plants and of the common wage level. These hourly figures run a few cents below the regular series of BLS figures which we generally quote (see exhibit 2, at end), because the regular series include overtime rates in the average, while the figures below are derived from a special study which took actual rates. They also run over 2,000 below the total employment figure in 1940 because the very smallest plants were not included in the study below.

Hourly earnings of cigarette workers, by regions, December 1940

	Number of plants	Number of workers	Hourly earnings
			Cents
All regions	23	25,425	55.5
North Carolina	4	12,891	56.1
Virginia and Kentucky	8	10,837	54.5
Other States	11	1,697	57.7

Source: Bureau of Labor Statistics.

One immediate byproduct of a 65 cent minimum wage will be that the Virginia, North Carolina, and Kentucky cities in which these industries are located will be benefited by having at least some of the swollen profits from the plants turned into community channels, through higher earnings of the cigarette workers.

Smoking and chewing tobacco and snuff

Manufacture of smoking and chewing tobacco and snuff is closely related to the cigarette industry. About one-half of the smoking and chewing tobacco and snuff was manufactured in 1939 in ciagrette factories. In the separate "tobacco" factories, there were 9,202 wage earners, and a little over 8,000 in 1944. The eight largest producers employ 75 percent of the workers, and 81 percent of the product is manufactured in 22 factories.

Hourly earnings 36 cents below national factory average

The 8 to 9 thousand wage earners are generally at a lower level even than the cigarette workers. In 1939, the average hourly earnings were 51 cents; that is, 13 cents below the average for all manufacturing industry; and in 1944, although average wages had risen to 67 cents, they were by now, 36 cents below the general average of all factories.

Wages in 1940 on the average were 55 cents for smoking-tobacco workers, 53 cents for snuff workers, and 49 cents for chewing-tobacco workers—with some 40 percent of the workers in this group making less than 40 cents.

Wages are 8.6 percent of value of products in this branch of the tobacco industry which means that the effect of a wage increase is small in the total picture. Introduction of the 40-cent minimum, even in this low-paid industry increased wages by only 1⅘ percent, which was a mere two-tenths of 1 percent of manufacturing cost, conservatively figured.

A 65-cent minimum has just been established for the bulk of the workers at the big smoking and chewing plant of P. Lorillard in Middletown, Ohio, which employs some 800 workers—which is the only separate smoking and chewing tobacco factory under contract with the Union.

But there is every reason why the 65-cent minimum should prevail throughout the industry, organized and unorganized. As in the cigarette industry proper, this modest level is long overdue, and can be supported more than comfortably by the industry. Profits of the six largest companies stood at $10,936,000 in 1943, yielding 15 percent on net worth. (Source: "War Profits Study No. 11," OPA.) These companies, together with the cigarette companies—whose extraor-

dinarily large earnings have already been reported—manufacture the great bulk of the products in this section of the tobacco industry.

Leaf tobacco dealers

Leaf-tobacco dealers comprise the third section of the tobacco industry. It was a notorious "10 cents an hour" industry back in the 1930's. These are the leaf houses, or stemmeries, where the work is hard, dirty, and unhealthy. The air is often humid and always dirty. Around 40,000 people work for wages in this section of the industry. Some 15,000—more than one-third of the total—are employed by the cigarette factories. The rest work for independent leaf houses.

The 55-cent minimum has been established in several of the leaf houses in Winston-Salem, N. C., and in Richmond, Va.

Average hourly earnings of the leaf-house workers were 16 cents in 1935. These are averages—many were paid less than that. As the result of the Fair Labor Standards Act, these workers had attained the "tremendous" average of 32 cents by 1940.

Absorbed 100 percent wage increase in 5 years

The industry had no difficulty in absorbing this 100 percent increase in its wage level in 5 years. The Wage and Hour Division when it was reporting on the possibilities of a 40-cent minimum, soberly notes that this increase in earnings was "accompanied by an increase in total employment." It could be stated without fear of exaggeration that this industry, along with the cigarette branch from which it is inseparable, still seems to manage to operate, in spite of the bold step of a 40-cent minimum in 1942, and further increases in union plants since.

The latest available profit figures for this industry are for 1935 and for only the 15 largest leaf dealers. These show a 13 percent return on investment in 1935. The Wage and Hour report (referred to above) comments that although by no means all of the leaf houses are included in this figure, "the figures presented indicate that profits have been substantial at least in the case of those dealers handling a large part of the leaf tobacco crop which is not purchased directly by manufacturing companies." (Profits on the leaf operations performed by the cigarette companies themselves, are, of course, included in the profits of the cigarette companies, reported above.)

Many workers in this industry have been denied extra overtime payments—and those located in the area of production have been denied both the wages and hours guaranties of the Fair Labor Standards Act. In an industry where they may be without work for 3 to 6 months in a year, the workers find their earnings further limited through failure to grant complete coverage of the law.

Green leaf exemption not used at biggest plant

Tobacco workers not fully covered by the Fair Labor Standards Act are those engaged in redrying or stemming green tobacco. Such operations have been granted 14-week seasonal exemption.

For the past 2 years these workers in the R. J. Reynolds factories in Winston-Salem, N. C., have been paid time and one-half after 40 hours a week in spite of the seasonal exemption. This has removed an inequality that is especially apparent when green-stemming and dry-stemming operations are carried on in the same factories. The operations are identical. Yet workers on the green operations get less pay than the other workers when the overtime exemption is used.

Minimum conditions of 65 cents an hour and minimum overtime pay of time and one-half after 40 hours a week should prevail for all workers in the tobacco industries—without exceptions or exemptions.

Cigars

There are some 33,000 people employed in the cigar industry, which is dominated by a few large corporations that produce over 90 percent of the total number of cigars manufactured in this country.

In 1939, when average hourly earnings in manufacturing industry were 64 cents an hour, cigar plants were paying 50 cents on the average, and in 1944, in spite of increased mechanization of the large companies, which had resulted in increased production, the average wage of cigar workers was 67 cents, compared to $1.02 an hour in manufacturing industry as a whole.

Profits almost tripled

Profits of the nine large cigar corporations have soared. In the years 1936–39 these nine cigar companies averaged profits of $5,145,000. The return on net worth was 8.4 percent. By 1943, profits had reached $13,902,000 and the percentage return on net worth had risen to 20.5 percent, according to OPA.

Many of the plants which make cigars by hand already pay the 65-cent minimum and more—for instance, in the New York City hand cigar industry. In the larger plants which produce machine-made cigars, in spite of gains since 1940 when 48 percent of the workers received less than 40 cents an hour, the minimum rate of 65 cents has not been attained. Hiring rates still are commonly only 40 and 45 cents an hour. In view of the high profits which these companies have made and the high percentage return on net worth, cost of the 65-cent minimum should be easily absorbed by the cigar industry.

4. FISH CANNING

The highly seasonal fish-canning industry is a low-paid industry as a whole. Most fish-cannery workers are in a highly unfavorable position to earn a living which is not substandard. Average hourly wages paid fish-cannery workers were as low as 32 cents in 1943 in the Mobile, Ala., region. In 1943, the average hourly earning for manufacturing industry as a whole was 96 cents. Thus one group of workers in this industry—in Mobile, Ala.—were making 64 cents less than the average for other factory workers. As has already been pointed out, profits in the food industry rose to unprecedented heights during the past few years.

No need for special treatment

The Van Camp Sea Food Co., in San Diego, Calif., has established a minimum rate of 80 cents an hour. The Northern Packing Corp., of San Francisco, Calif., pays a 69-cent minimum and the Alaska salmon industry involving some 7,000 workers, has for several years paid well above the 65-cent level on both hourly rated operations and those paid on a monthly basis.

On the question of overtime, both the Van Camp plant and the Alaska salmon industry go beyond the minimum-hours requirements of the Fair Labor Standards Act.

The total exemption of this industry from wages and hours provisions of the Fair Labor Standards Act is wholly unjustified. The Pepper bill logically proposes discontinuing this special treatment of one of our manufacturing industries.

5. DAIRY PRODUCTS

There are about 58,000 workers employed in the dairy-products industry; 19,000 in butter manufacture; 6,000 in cheese production; 16,000 in evaporated and condensed milk, and 17,000 in ice-cream manufacture. Wages are generally substandard and the bulk of the workers are guaranteed no overtime payments because of the year-round-hours exemption in the Fair Labor Standards Act for the "first processing of milk, whey, skimmed milk, or cream into dairy products."

In 1939, when the hourly average paid in manufacturing industry as a whole was 64 cents, 48 cents were paid for butter-manufacture workers, and 62 cents for ice-cream-manufacture workers. In 1944, the manufacturing industry average had reached $1.02, but the average in dairy products remained about 73 cents, a difference of 29 cents an hour. This in spite of the fact that the profits of the food industry as a whole had gone up to a new high, and the whole dairy industry was in an especially favorable competitive position because of increased demand for its products.

Typical plants pay overtime after 40 hours

Although the union has only one dairy contract—at Dow Cheese in Fond du Lac, Wis., which provides a 65-cent minimum—some progress has been made in establishing overtime after 40 hours a week.

Such overtime conditions—or more favorable ones—exist at Carnation Co., Cambridge Springs, Pa.; Dolly Madison, La Crosse, Wis.; Dow Cheese, Fond du Lac, Wis.; Hoard's Creameries, Whitewater, Wis.; and at Stella Cheese, South Range, Mich.—the last as the result of a recent War Labor Board case which ordered removal of the first processing exemption.

While these plants are few in relation to the vast number of creameries throughout the United States, they are typical and serve to demonstrate that this industry can comply with minimum conditions.

Increased wage costs play an unusually minor role in the total cost of the dairy industries. The wage bill for butter and cheese manufacture is only 4 percent of the value of the product to the manufacturer; for evaporated and condensed milk, only 5 percent; and for ice-cream manufacture, only 6 percent.

6. GRAIN PROCESSING

The grain-processing industry, which includes some 60,000 workers engaged in the production of flour, prepared feeds, prepared cereals, and blended flour, would hardly be affected by the Pepper bill. Its profit position, moreover, is the most favorable of all the industries under consideration here.

Would hardly be affected by Pepper bill

Actual wage increases as a result of the 65-cent minimum would be very small, especially in the cereal-preparations branch in which average hourly earnings already run 95 cents an hour. The flour industry is similar, established in relatively high-wage centers such as Buffalo, N. Y., but still affected more than cereal preparations by scattered flour mills in small towns. However, even a small-town plant like Huron Milling, in Harbor Beach, Mich., pays a 65-cent-an-hour minimum. The average hourly wages in the flour branch are 84 cents an hour.

This industry is not involved with coverage, except as some units may turn out to be located in what will be defined as the area-of-production. This serves to further underline the need for removing the area-of-production exemption. Exemption of any plants in the grain-processing industry would create obvious inequities.

With wages only 4 percent of the value of the products to the manufacturer in the flour and prepared-feed industry, and only 8 percent in cereal preparation, it it apparent that the slight increase in the wage bill resulting from the 65-cent minimum wage would hardly be a factor in the total cost picture.

Profits of the nine big grain- and mill-products companies increased from an average $18,336,000 in the years 1936–39 to $39,339,000 in 1943. The 1943 profits were at the rate of 33 percent on net worth, according to the OPA study of war-industry profits.

7. COTTONSEED OIL AND COMPRESSES

The cottonseed-crushing industry, which engages in the cleaning, after ginning, of cottonseed, and crushing in order to obtain the oil from the seeds, and in making cakes of both the meal residue after the oil is removed and the hulls, is in the main, carried on in small plants. There are between 15,000 and 25,000 workers employed in the industry, depending on the season. This industry has been extremely low paid, and it still remains the lowest paid of all the low-paid food- and fiber-processing industries.

Rock-bottom wages.

It is true that wages have increased from the 24-cent average hourly rate which prevailed in 1937 to 53 cents in 1944, but when one considers the $1.02 average hourly rate for manufacturing industry as a whole, the low wage levels of this industry are apparent.

The wage picture in the cotton-compress industry, involving some 22,000 workers, is similar.

In the organized compresses of California and Arizona minimum wages are 70 cents an hour. But in the other organized sections—Houston, Tex.; Memphis, Tenn.; the Mississippi Delta region, and in North Carolina—compress and cotton-seed-oil-mill rates are only now reaching the 55-cent minimum, following the most recent War Labor Board policy on substandard pay.

The 55-cent minimum is already established at Buckeye Cotton Oil Mills in Memphis, Tenn., North Little Rock, Ark., and Charlotte, N. C.; and at De Soto Oil in Memphis; Federal Compress, Memphis; Navy Yard Compress, Memphis; Perkins Oil, Memphis; and Swift Cotton Oil, Memphis.

Plants where overtime is paid

The year-round exemption from the hours provision of the Fair Labor Standards Act has operated to further depress the already low wages of cotton oil mill and compress workers. Overtime pay after 40 hours a week has been established, however, in the compress industry of Memphis, Tenn., and in union plants in California and Houston, Tex.

While time and one-half after 48 hours a week has been established in a number of union contracts in the cottonseed oil industry, the 40-hour provision holds only in the contracts with Buckeye in Memphis, North Little Rock, and Charlotte.

As in other food and fiber processing industries, wage costs are such a small proportion of the total—only about 5 percent in the cottonseed crushing industry—that wage increases are a minor factor in the total cost picture.

Margin per ton between farm price of the cottonseed and value of the crushers' product widened to $20.61 in the 1944–45 season. This is a direct indication of the ability of the cottonseed oil mills to absorb increased wage costs out of profits.

The margin has risen from $12.47 in the 1938–39 season, when the 25-cent minimum of the Fair Labor Standards Act first went into effect. (See exhibit 9, at end.)

SUMMARY

The question of amendment of the Fair Labor Standards Act must be viewed from the point of view of the national welfare. By increasing the minimum wage to 65 cents an hour immediately, to be raised to 75 cents in 2 years, and by removing certain exemptions now in the act, an important contribution will have been made to the economy of our Nation:

1. Buying power will be increased, a necessary step to assure full production and employment; and

2. We will have a guaranty that American families whose breadwinner is employed in the industries covered by the Fair Labor Standards Act will at least enjoy a bare minimum American standard of living.

If we do not now move forward in our minimum wage policy—and in other related measures proposed in other bills before Congress—we will most surely return to prewar levels of employment and income. The people of the United States look to Congress to prevent such a calamity, which would mean unemployment for millions, shrinkage of farm markets, falling off in income of professional people and business men. Our men returning from the armed services rightly expect a chance to work and prosper, as do all the people. The $40,000,000,000 income gap left by termination of war production must be filled; increasing the minimum wage contributes to this.

In the industries for which we speak directly, some 400,000 out of 800,000 workers would be directly affected by the 65-cent minimum wage. Around 1,000,000 workers in these and related industries, and the seamen, would be affected by removing exemptions on coverage as proposed by the Pepper bill.

These industries have for no good reason existed as class B wage industries. Today, for example, with the average hourly earnings in manufacturing industries at $1.02, the average earnings in canning and preserving are 25 cents below this figure, cigar wages are 35 cents below, and cottonseed oil mill workers make 49 cents per hour less than the average American industrial worker. Moreover, the wage gap between these and other industries has widened since 1939. It is high time that food and fiber processing industries ceased to be substandard wage industries. A more adequate national minimum wage will contribute to this end.

Nor should workers in these industries be denied the minimum guaranty of time and one-half after 40 hours a week. At present, workers engaged in first processing of dairy products and cotton compress and cottonseed oil mill workers (as well as other groups) are denied overtime payments.

Cannery and packing-shed workers are exempt from overtime payments for 14 weeks, over 3 months each year. Fish cannery workers are wholly exempt from the Fair Labor Standards Act, as well as workers in the so-called area of production.

In addition, seasonal workers, such as cannery, packing-shed workers, and others, need not be paid time and one-half until after 12 hours a day and 56 hours a week for another 14 weeks. This means total denial of overtime benefits to hundreds of thousands of these workers for 28 weeks of every year. We propose that S. 1349 be amended to remove this seasonal exemption also.

Removal of the area of production exemption is particularly essential because this provision is unadministrable, has no practical economic justification, and in practice has severely disrupted competitive relationships among employers in the industries affected.

Coverage is especially important in these industries where the chances of getting year-round work are slim—and where long hours are frequently necessary to process perishable products. The principle of extra pay for hours over 40 hours a week is a good American principle. It should not be denied for the fast, exhausting work in canneries and other food and fiber processing operations.

Farmers would benefit by breaking the class B treatment of the food and fiber processing workers. Farmers' markets depend on buying power and especially on incomes of the lowest paid workers who turn increased wages largely into more food. And directly, members of farm families often work in food processing plants for part of the year, to piece out their income. But in spite of this, low wages and exemptions in these industries are frequently defended in the name of farmers. Such special pleading ill serves the farmers and damages the national interest.

Cost of increasing the minimum and removing exemptions can easily be absorbed by these industries. Profits in the food industries stood at $969,000,000 in 1944, an increase of 217 percent over the 1936–39 level. The increase in the wage bill

from the 65-cent minimum would be only 6/10 percent of the 1944 profits of the food and beverage industry.

Tobacco industry profits in 1944 were $154,000,000, and the cost of the 65-cent minimum would be only 9/10 percent of this amount.

In most of the food processing industries, wages are only about 5 percent of total manufacturing costs. It is even lower for cigarettes, somewhat higher for canning and preserving. Out of each dollar of manufacturers' sale price in canning, roughly 11 cents is wages. Even a 20 percent wage increase, therefore, is only a little over 2 cents of the total.

If measures like the 65-cent minimum are brushed aside, there will surely be a problem of contracting production, leading into a severe depression. But with a forward-looking national policy on production, employment, farm prices, wages, etc., we can look for steady expansion of the food and fiber processing interests. We refuse to admit defeat and depression. With this expansion over even the high war year levels, the prospects of easily absorbing increased wage costs are underlined. With expansion comes spreading of other costs, increased efficiencies which include increased labor productivity.

Within the food and fiber processing industries there are already plants and areas where the 65-cent minimum is in effect, and where time and one-half after 40 hours a week (or better) has been established year-round in spite of exemptions in the present Fair Labor Standards Act. This is added evidence of the ability of these industries to comply with the standards set up in S. 1349, and demonstrates that the proposals in this bill are both desirable and highly practical.

EXHIBITS

1. Workers employed in FTA industries.
2. Wages in food and fiber processing industries compared to manufacturing as a whole.
3. The labor force in the United States in relation to coverage and exemptions under the Fair Labor Standards Act.
4. National and regional War Labor Board policy on overtime pay in industries exempt from or partially covered by the Fair Labor Standards Act.
5. Relation of wages to value of products.
6. Effect of the Fair Labor Standards Act on the canning industry.
7. Citrus industry average hourly earnings and relation of wages to production cost.
8. Cooperative citrus packing houses in relation to incidence of costs.
9. Margin between farm prices of cottonseed and estimated average value of products of cottonseed crushers—1938–45.

EXHIBIT 1.—*Workers employed in FTA industries (industries in which the union has contracts)*

Industry:	*Number of workers*
Fruit and vegetable canning and preserving	[1] 425,000
Fish canning	50,000
Butter and cheese production	25,000
Condensed and evaporated milk	16,000
Ice-cream manufacture	17,000
Flour and prepared feeds manufacture	52,000
Cereal preparations	9,000
Fruit and vegetable packing sheds—including citrus	225,000
Cigarette manufacture	34,000
Chewing and smoking tobacco and snuff	8,000
Tobacco-leaf houses	40,000
Cigar manufacture	33,000
Cottonseed-oil mills	25,000
Cotton compresses	22,000
Total	981,000

[1] 425,000 is an unusually high estimate for fruit and vegetable canning and preserving. It is an estimate based on the industry study made by the Wage and Hour Division in 1942, and since this was a detailed study, this high figure actually appears to be the most reliable.

Source: Bureau of Labor Statistics and Wage and Hour Division.

NOTE.—In addition, there are well over 3,000,000 agricultural workers with whom the union is directly concerned. Although the union has agricultural worker members (some of whom are former farmers now employed by corporations as wage workers, some sharecroppers, and some citrus fruit-pickers) it has not yet been possible to win contracts in the field of agriculture.

The union also has contracts in the corn products refining industry and in soybean processing, both of which are closely related to both the grain-processing and cottonseed-oil industries.

EXHIBIT 2.—*Wages in food and fiber processing industries, compared to manufacturing as a whole*

Industry	1939		1944	
	Average hourly earnings	Compared to total manufacturing	Average hourly earnings	Compared to total manufacturing
Total manufacturing	$0.64		$1.02	
Canning and preserving	.46	18 cents less	.77	25 cents less.
Butter	.48	16 cents less	.71	31 cents less.
Condensed and evaporated milk	[1]		.74	28 cents less.
Cereal preparations	[1]		.95	7 cents less.
Flour	.61	3 cents less	.84	18 cents less.
Ice-cream manufacture	.63	1 cent less	.79	23 cents less.
Cigarette manufacture	.56	8 cents less	.76	26 cents less.
Chewing and smoking tobacco and snuff	.51	13 cents less	.67	35 cents less.
Cigars	.42	22 cents less	.67	Do.
Cottonseed oil, cake and meal	.30	34 cents less	.53	49 cents less.

[1] Not available.

Source: Bureau of Labor Statistics.

EXHIBIT 3.—*The labor force [1] in the United States in relation to coverage and exemptions under the Fair Labor Standards Act, August 1943*

Industry group	Total number of employees	Number covered by the Fair Labor Standards Act and subject to sections 6 and 7	Number not covered or exempt		
			Total	Number exempt by specific provision of act	Number not exempt and engaged in intrastate commerce
All groups, total	45,200,000	21,485,000	23,715,000	19,945,000	3,770,000
Agriculture, forestry and fisheries	5,000,000		5,000,000	5,000,000	
Manufacturing	16,000,000	15,000,000	900,000	800,000	100,000
Mining and quarrying	800,000	725,000	75,000	35,000	40,000
Construction	1,000,000	200,000	800,000	50,000	750,000
Wholesale trade	1,500,000	1,000,000	500,000	400,000	100,000
Retail trade	5,000,000	100,000	4,900,000	4,900,000	
Banking, finance and insurance	900,000	600,000	300,000	285,000	15,000
Transportation and allied services	2,900,000	2,200,000	700,000	600,000	100,000
Communication and other public utilities	870,000	800,000	70,000	70,000	
Services, total	5,230,000	760,000	4,470,000	1,805,000	2,665,000
Agricultural and business services	450,000	150,000	300,000	100,000	200,000
Automotive repair and other repair services	130,000	50,000	80,000	80,000	
Personal services	2,400,000	50,000	2,350,000	1,000,000	1,350,000
Professional and related services	1,200,000	200,000	1,000,000	100,000	900,000
Nonprofit membership organizations	400,000	250,000	150,000	100,000	50,000
Hotels, rooming houses, and other lodging houses	400,000		400,000	400,000	
Amusement, motion pictures, and other recreational services	250,000	60,000	190,000	25,000	165,000
Government (Federal, State and local)	6,000,000		6,000,000	[2] 6,000,000	

[1] The labor force is defined to include only employees. Total employment thus excludes approximately 6,000,000 farm owners and tenants; about 1,000,000 unpaid farm family labor; and approximately 2,500,000 proprietors of unincorporated businesses. Also excluded are members of the armed forces.

[2] Strictly speaking, the exemption of governmental employees is quite different from the other exemptions, since they are excluded entirely through the definition of employer. The effect, so far as the application of the wage and hour provision is concerned, is the same.

Source: Preliminary estimates of the Statistics Section, Economics Branch, Wage and Hour Division. Figures are based on Census, Bureau of Labor Statistics, Social Security Board, and trade association reports.

EXHIBIT 4. NATIONAL AND REGIONAL WAR LABOR BOARD POLICY ON OVERTIME PAY IN INDUSTRIES EXEMPT FROM OR PARTIALLY COVERED BY THE FAIR LABOR STANDARDS ACT

NATIONAL BOARD POLICY

Dispute cases

The National War Labor Board has issued no overtime policy statement covering these cases. The National Board, however, has shown a disposition to approve the introduction or liberalization of overtime provisions that are in conformity with industry and/or area practice, or for the correction of certain intraplant inequities. For those industries which are exempt from the Fair Labor Standards Act, the Board has approved the payment of overtime after 40 hours and after 48 hours, as well as after 8 hours a day.

Case examples

111–2123–D—Land O'Lakes Creamery (Rush City, Minn.) United Cannery, Agricultural and Allied Workers.

National Board affirmed regional board's decision granting a reduction in the basic work week from 54 to 48 hours and ordered introduction of overtime pay after 48 hours a week. Basis: General industrial practice. April 24, 1944—unanimous.[1]

111–241–R—Food Industries Employers Labor Relations Council, Inc. (Los Angeles, Calif.). Retail Clerks International Protective Association, Retail Food Clerks Union, AFL.

National Board granted time and one-half after 8 hours a day and 40 hours a week. On appeal upheld prior decision. Basis: Area practice. April 13, 1944.[2]

111–5572–D—Denver, Colorado Markets and Food Stores (Denver, Colo.).

111–5826–D—Retail Clerks International Protective Association, Local 7, AFL and Amalgamated Meat Cutters and Butcher Workmen of North America, Local 634, AFL.

National Board sustained region IX decision ordering 9-hour day and 48-hour week (industry dissenting in regional decision: Industry and one public member dissenting in national vote—five to four.) Basis of decision—intra-plant inequity. October 31, 1944.[3]

3131–CS–A—Crescent Brick Co., (New Cumberland, W. Va.). United Brick and Clay Workers of America, Local 476, AFL.

Board approved introduction of time and one-half after 8 hours a day. Basis: General industry practice. The referee stated that the 8-hour day is widely accepted and should apply except in most unusual circumstances.

111–2289–D, et al—Six Wisconsin condensery cases: International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America, AFL, Locals 442, 507, 579—16 Wisconsin towns.

Board affirmed the regional board action of November 14, 1944 (industry dissenting) which granted overtime after 40 hours in a week and after 8 hours in a day, provided that there shall be no pyramiding of overtime. The basis of regional board action is given in the majority opinion in cases 111–7310 and 111–8035–D:

"(1) The prevailing practice in the area;

"(2) The prevailing practice in a substantial portion of the industry; and

"(3) The inequity which would result from a denial in view of the fact that almost all workers in American industry are either receiving overtime payment for all work after 40 hours or have received increases in their basic wage rates in lieu of such overtime payments."

111–6500–D—Santa Maria Valley growers and shippers (California). Federal Labor Union, Local 18211, AFL.

Board denied the company's petition for review and affirmed region X decision which liberalized overtime provisions, ordering time and one-half after 8 hours a day and for all work performed between 6 p. m. and 7 a. m. Formerly, employees had received time and one-half for hours worked after 10 p. m. and also for hours worked after 8 p. m., if an employee had already worked 8 hours that day.[4] Basis: Industry practice. March 6, 1945, industry dissenting; majority and minority opinion.

Majority opinion: "Reasonable hours and overtime provisions have been approved or directed by the board in various cases involving industries wholly or partially exempt from the FLSA. In dispute cases, the board has first inquired whether the proposed adjustment was fair and equitable under the circumstances of the particular case and, next, whether the adjustment would be unstabilizing in the industry or the area involved. The scope of the industry to be considered and the relative emphasis to be placed on industry and area practice have varied, depending on the circumstances. In such case the National Board has given considerable weight to the judgment of the regional boards, and has accepted these findings of fact, if reasonably supported by the evidence as conclusive."

Minority opinion of industry members maintained that the fact that time and one-half for hours after 6 p. m. is the practice in other areas, as the result of collective bargaining, furnishes no precedent for the Santa Maria Valley area.

Voluntary cases

The Board has issued no overtime policy statement covering these industries. The Board, however, shows a disposition to approve the introduction or liberalization of overtime provisions that are in conformity with industry and/or area practice.

REGIONAL BOARD POLICY

Voluntary cases

The regional war labor boards have, in general, followed the lead of the National Board in approving the payment of overtime after 40, 44, or 48 hours a week, as well as after 8 hours a day, unless such approval would be considered unstabilizing to industry or area practice. Region III has also approved overtime pay after 8 hours regardless of industry/area practice.

Dispute cases

The regional war labor boards have, generally, ordered overtime pay after 40, 44, or 48 hours a week, or after 8 hours a day on the basis of practice in the industry or area, or for the correction of intraplant inequities.

Regions VII, IX, and XII do not have a separate policy for dispute cases, but follow substantially the same policy outlined for voluntary cases.

Source: National War Labor Board Research and Policy Appraisal Division.

[1] Fair Labor Standards Act, sec. 7 (c).
[2] Fair Labor Standards Act, secs. 13 (a) (1): 13 (a) (2).
[3] Fair Labor Standards Act, secs. 13 (a) (1): 13 (a) (2).
[4] Fair Labor Standards Act, sec. 13 (a) (5).

EXHIBIT 5.—*Relation of wages to value of product*

Industry:	*Wages as percent of value of product*
Fruit and vegetable canning and preserving	11
Fish canning	11
Butter and cheese production	4
Condensed and evaporated milk	5
Ice cream manufacture	6
Flour and prepared feeds manufacture	4
Cereal preparations	8
Cigarette manufacture	3(2.51)
Chewing and smoking tobacco and snuff	7
Cigar manufacture	21
Cottonseed oil mills	5
All manufacturing	16

Source: Basic figures from Census of Manufactures.

EXHIBIT 6. EFFECT OF THE FAIR LABOR STANDARDS ACT ON THE CANNING INDUSTRY

There appear to be no adverse effects on either production or consumption of canned and preserved fruits and vegetables as a result of the 25-cent minimum which was established in October 1938, or of the 30-cent minimum established in October 1939. Production in almost every branch of the industry has increased since the Fair Labor Standards Act became effective.

The establishment of the 25-cent minimum, which first affected the 1939 canning season, decreased the percentage of employees earning less than 25 cents per hour from 18.6 percent of the total to 5.4 percent in the plants studied by the Women's Bureau in its survey of identical fresh vegetable canneries in 1938 and 1939. Tomato cannery workers earning less than 25 cents decreased from 20.9 percent of the total to 7.8 percent. No data are available to show the proportion

affected by the 30-cent minimum which applied to vegetable canneries for the 1940 season, but certainly the effect was at least as large as that of the 25-cent minimum. Despite the increases in minimum rates, the production of tomatoes increased from 23.1 million cases in 1938, before the 25-cent minimum became effective, to 24.5 million cases in 1939. In 1940, when the 30-cent minimum was established, 29.5 million cases were produced, and in 1941 the pack was 31.7 million cases.

Individual tomato canning States show the same relationship of production to minimum rates. While the percentage of employees earning less than 25 cents per hour in Maryland decreased from 51 percent in 1938 to 29 percent in 1939, production increased from 5.1 million cases in 1938 to 5.8 millions in 1939. In 1940, when the 30-cent minimum became effective, production remained at 5.8 million cases, and in 1941 the output rose to 6.7 millions.

In the case of Virginia, the establishment of the 25-cent minimum had no effect on wages, according to the Women's Bureau survey, as the plants covered by the survey were all exempt from the act by virtue of the then existent area of production definition. Production of tomatoes dropped from 1.8 million cases in 1938 to 1.6 million cases in 1939, but in 1940, when the canneries were required to pay the 30-cent minimum because the definition of the area of production was changed so as to include most canneries, production rose to 2.1 million cases.

The Arkansas-Missouri region shows no relationship between the minimum rates and production. In 1938, there were 2.8 million cases of tomatoes canned in the area, and only 1 million cases in 1939. In 1940, the year the 30-cent minimum became mandatory for most canneries, production jumped to 3.7 million cases, and in 1941 dropped to 1.7 millions. The same lack of relationship occurred in the case of the Ozark spinach pack, production varying greatly, with 1940 being the peak year. The green bean pack for the region, however, shows an almost steady growth from 1938 onward despite changes in wage-hour minimum rates.

Source: Canned Fruits and Vegetables and Related Products Industry, Wage and Hour Division, March 1943.

EXHIBIT 7.—*Citrus industry average hourly earnings and relation of wages to production cost*

	Average hourly earnings	Increases in wage bill for 30 cents minimum	Percent wage bill is of operating cost	Percent wage bill increase to total cost—estimate
	Cents	*Percent*		
California	43	0.4	9.1	0.05
Florida	34	4.7	9.2	.44
Texas	24	29.2	10.0	2.92

Source: Report on the citrus fruit packing industry under the Fair Labor Standards Act, Wage and Hour Division, April 1940.

EXHIBIT 8. COOPERATIVE CITRUS PACKING HOUSES IN RELATION TO INCIDENCE OF COSTS

The importance of grower cooperatives in the handling and packing of citrus fruits requires special consideration of the effect of the act on these cooperatives.[1] Consideration here is limited to the effect of the act on the operating costs of citrus-packing cooperatives, and more particularly to a consideration of the net effect of any actual increase in costs upon the farmer-members of these cooperatives.

The distinctive character of an agricultural cooperative in comparison with a private establishment is that a cooperative is a nonprofit organization owned by and operated for the benefit of the member-growers. The nonprofit element does not mean that a cooperative is not interested in making a net gain on its

[1] Nearly 58 percent of the United States citrus production in the 1934–35 season was handled by cooperatives. More recent figures are not yet available. Data on cooperatives from Statistics of Farmers' Cooperative Business Organizations, 1920–35, Farm Credit Administration, Bulletin No. 6, 1936, table 19. Data on citrus production of Agriculture, 1939, table 252.

operations, but rather that any income over and above costs is returned to each member on the basis of patronage supplied by him rather than on the basis of the member's capital investment in the cooperative, or stock held by him. In all other respects the operation of an agricultural cooperative does not differ from a business organization rendering the same type of service.

"An agricultural cooperative association is a business organization—just as much so as any of the more familiar private enterprises. * * * Physical facilities, operating capital, and financial reserves are as essential for a cooperative association as they are for a commercial concern." [2]

The three leading cooperatives which handle and market citrus fruits are the California Fruit Growers Exchange, Florida Cirtus Exchange, and the Mutual Orange Distributors. The last-named cooperative is the smallest of the three, marketing, as it does, about 10 percent of the citrus fruit grown in California and Arizona.[3] California Fruit Growers Exchange handled 75 percent of the total packed citrus fruit in California and Arizona in 1935–36.[4] The Florida Citrus Exchange handled 24 percent of all the citrus shipments from that State during the 1936–37 marketing season.[5]

It is sometimes stated that an increase in the costs of a cooperative automatically means a corresponding decrease in the price received by farmers for the commodity in question. Sometimes the effect is referred to as a reduction in the farmers' "proceeds" or, perhaps, "net returns" from the crop. Since cooperatives, in their business functions, do not differ from similar private establishments, and since both the cooperatives and the private establishments operate in the same competitive market, there is no reason to assume that an increase in wage payments and operating costs automatically means a decrease in the farmer-member's proceeds from the sale of his crop.

Whether the receipts of the grower from the sale of his cooperatively packed citrus-fruit crop will be affected by any increase in packing costs obviously depends upon what happens to this increase in costs. If the private or commercial establishments are able to pass this increase in costs on to the consumers in higher prices, the cooperatives will be able to do so also, since prevailing prices are competitively determined by the existing conditions of supply and demand. If the commercial establishments are not able to pass the said costs on to consumers, but do absorb the increase in costs through greater productivity and reduced overhead costs, cooperatives will be able to do so also, since the operating costs per unit of output is generally as high or as low for cooperatives as for commercial establishments. Such absorption (or offsetting) of the increased costs by private or cooperative establishments will not widen the spread between farm prices and consumer prices, and therefore cannot affect the growers' receipts. On the other hand, if some private establishments actually pass the increased costs back to growers, it does not necessarily follow that proceeds of grower-members of cooperatives will be reduced, since growers can exert much greater pressures on their cooperatives to reduce costs than they can on private establishments.

It is only under conditions when the increase in costs has not been passed on to consumer, and has not been offset by the cooperatives through greater labor productivity and efficiency, that the increase in costs can be said to have been passed back so as to reduce the grower's proceeds from his cooperatively handled crop. In other words, the incidence of any increase in costs with respect to cooperative and private establishments are similarly determined by the same economic conditions.

Source: Report on the Citrus Fruit Packing Industry Under the Fair Labor Standards Act, Wage and Hour Division, April 1940.

[2] A Statistical Handbook of Farmers' Cooperatives. Farm Credit Administration, Bulletin No. 26, November 1938, pp. 1 and 9.
[3] Agricultural Income Inquiry, pt. II, Federal Trade Commission, 1937, p. 64.
[4] Ibid, p. 61.
[5] Figure given by the Farm Credit Administration and credited to the Florida Agricultural Experiment Station Bulletin 339, November 1939, table 9.

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EXHIBIT 9.—*Margin between farm prices of cottonseed and estimated average value of products of cottonseed crushers—1938–45*

Year (beginning Aug. 1)	Value of crushers' products per ton of seed [1]	Farm price of cottonseed (per ton) [2]	Margin (per ton) [3]
1938–39	$34.27	$21.80	$12.47
1939–40	38.36	21.20	17.16
1940–41	37.80	21.72	16.08
1941–42	65.04	47.65	17.39
1942–43	65.04	45.61	19.43
1943–44	66.23	52.10	14.13
1944–45	73.31	52.70	20.61

[1] Average value per ton of crude oil and cake, meal and linters.
[2] July to June crop year for annual figures.
[3] Includes mill margin, transportation to mill, and ginners' charges for selling seed.

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

EXHIBIT 80

TRENDS IN SOUTHERN WAGE DIFFERENTIALS SINCE 1890 [1]

RICHARD A. LESTER, Duke University

Sufficient statistical data exist from which to draw conclusions concerning trends in wage differentials between the North and the South, and within the South, during the period since 1890. Some of the trends and movements in South-North wage differentials appear to conform to a priori notions; others do not.

This paper presents part of the statistical background of a study of wages in southern industry.[2] Explanations and conclusions here developed should be considered as tentative, subject to later modification in the light of further and more detailed analysis. Subsequent papers will explore more fully the economic implications of these and other data that the author is collecting and analyzing.

A few words of caution about the statistics used in this paper seem appropriate at the outset. The ratios have been calculated from averages of hourly earnings or wage rates. The South-North ratios may, therefore, be affected by changes in the South, in the North, or in both regions.

In general the ratios only reflect over-all trends and do not exactly measure absolute wage differentials at any one time. They are not strictly comparable from one period to another because the establishments included are not identical over any length of time and because the statistical samples, either in terms of establishments or occupations included, may not be truly representative of the industry for an area in particular years. No allowance is made for regional differences in quality or character of product, in equipment, in nature of the job, in gratuities or payments in kind, in the proportion of female, child, handicapped, or colored workers, etc. The text and the statistical appendix indicate more specific limitations to the data for individual industries.

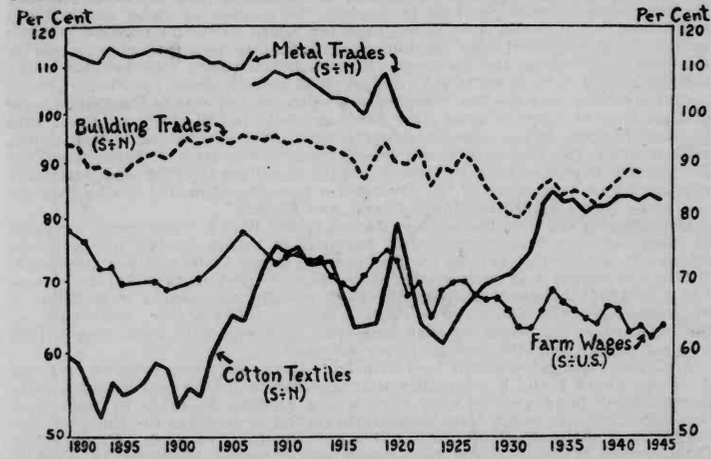
Absolute differences between regions, insofar as they continue throughout the whole period, would not affect the trend of the calculated ratios. The job of edgerman may be different in sawmills in the far West from the job so classified in most southern sawmills; yet if those nonwage differences between regions continue, or change at the same time and to the same degree in both regions, the calculated ratios would remain unaffected and their comparability would be unimpaired. In order to make the ratios as nearly comparable as possible from year to year, they are in most instances based on specific occupations and specific geographic areas (cities or States).

[1] This paper has benefited from criticisms by my colleagues, Calvin B. Hoover, Joseph J. Spengler, Frank T. deVyver, and B. U. Ratchford.
[2] The writer is indebted to the General Education Board for financial support for this study.

I

Skilled metal and building trades.—Chart 1 depicts the South-North ratios [3] for four foundry and machine-shop trades combined (blacksmiths, boilermakers, machinists, and iron molders) and four building trades combined (bricklayers, carpenters, plasterers, and plumbers). For one or more of the metal or building

CHART 1. SOUTH-NORTH WAGE RATIOS (SOUTH IN PERCENTAGE OF NORTH OR U. S.)



trades, 12 southern and 13 northern cities were used.[4] The rate of population growth of the combined southern cities was considerably greater than that of the combined northern cities during most of the half century from 1890 to 1940.

It is interesting to note in chart 1 the marked correspondence in the trends, and especially the upward and downward movements, of the series for the skilled metal trades, the building trades, and farm wages. Each of the three series has a gently downward trend for the period since 1890, indicating an increase in wages in the North relative to the South. That was true for all of the individual metal and building trades. The carpenters' and blacksmiths' ratios have the most sharply downward trend for the whole period, whereas the trend for plasterers, machinists, and boilermakers is only slightly downward. Unfortunately it is not possible to obtain comparable data for any of the four metal trades beyond 1924, so that the metal trades' ratios cannot be extended to determine subsequent changes.[5]

Not only is the covariation or correspondence in the upward and downward movements of the lines on Chart 1 (except textiles) remarkably close, but that is also true for some of the individual building trades and farm wages. For example, the movements in the plasterers' ratio corresponds well with those of the farm wages series for the whole period from 1890 to 1939. Indeed, after 1910 the correspondence or covariation is fairly close between farm wages and all four building trades, and especially plasterers and carpenters. The same cannot be said for the individual metal trades. In metals, movements of the four trades' average seem to correspond somewhat better with changes in the farm wages ratio than is the case for any individual metal trade.

It is strange that the correspondence should be much closer between the series for skilled trades and for farm wages than it is between farm wages and textile wages. The shift from farm work to low-skilled employment in a textile mill

[3] Average hourly earnings to 1907; union wage rates 1907 on, which accounts for the break in the metal-trades line at 1907.
[4] For the metal trades, 11 southern and 11 northern cities were used; for the building trades, 10 southern and 9 northern cities. Cities listed in appendix.
[5] Either the basis shifts to average hourly earnings by States or, in the case of blacksmiths, so many of the cities are omitted as to make it hazardous to attempt to extend the series.

is much less difficult to accomplish than it is for a farmer to become a skilled metal or building tradesman. Indeed, it has generally been assumed that the level of textile wages, especially in the South, was closely related to the level of farm wages and farm income.

The declining trend in the South-North ratios for skilled metal and building tradesmen, especially carpenters and blacksmiths, was to be expected during this half century. The differential between such skilled trades and either textile or farm wages was so much greater in the South than in the North that a strong stimulus was provided to increase the number of metal and building tradesmen in the South, causing wages in the South to decline relative to those in the North. Nevertheless machinists continued to receive higher wages in the Southern than in the Northern cities each year from 1890 to 1922, when the machinists' ratio stood at 115 (the South 15 percent above the North).

Cotton textile wages.—The independence of the movements in the textile ratio and its marked upward trend since 1890 are indicated in chart 1. Until 1913 the textile wage series represents four occupational groups (male loom-fixers, male weavers, female weavers, and female frame spinners) with the average for four Southern States (North Carolina, South Carolina, Georgia, and Alabama) expressed as a percentage of the average for four New England States (Massachusetts, New Hampshire, Rhode Island, and Maine).[6]

Disregarding the wild fluctuations during World War I, there are two periods of sharp increase in average hourly earnings in cotton textiles in the South relative to the North. During the first upward sweep (1900 to 1909) the South-North differential was reduced by more than 50 percent, and in the second (1924 to 1934) by about 70 percent. Both upward movements were followed by years when the South-North ratio remained fairly stable. Although the first upward sweep seems to have had some counterpart in farm wages, that does not appear to be the case in the second one.

Additional comparisons can be drawn from the three series depicted in chart 2. From chart 1 and 2 it appears that movements in the textile-wages ratio corresponded more closely with farm-wages movements prior to 1925 than thereafter, changes in the farm-wages ratio (either in terms of the United States in chart 1 or of New England in chart 2) usually tending to precede. From 1925 or 1926 to 1932 the textile and farm-wages ratios moved markedly in opposite directions. That is especially true for the farm-wages ratio on a New England base. While the textile wage differential between four southern States and New England was being cut by almost two-thirds from 1924 to 1933 (indicating a relative rise in southern textile wages), the differential in farm-wage rates between the same southern textile States and New England by a third.[7]

Chart 2 indicates that each of the two major upswings in the textile-wages ratio occurred in conjunction with a sharp upward movement in the southern share of the total active textile spindles of the country.[8] Indeed, after 1900 there seems to be a very noticeable relationship between the textile-wages curve and that for textile spindles, with periods of rapid increase in the spindle ratio being accompanied by an upswing in the textile wages series (a relative rise in southern wages), and with the wages series levelling out during periods of less rapid rise in the spindle ratio.

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[6] See appendix for data used for ratios beginning with 1913.

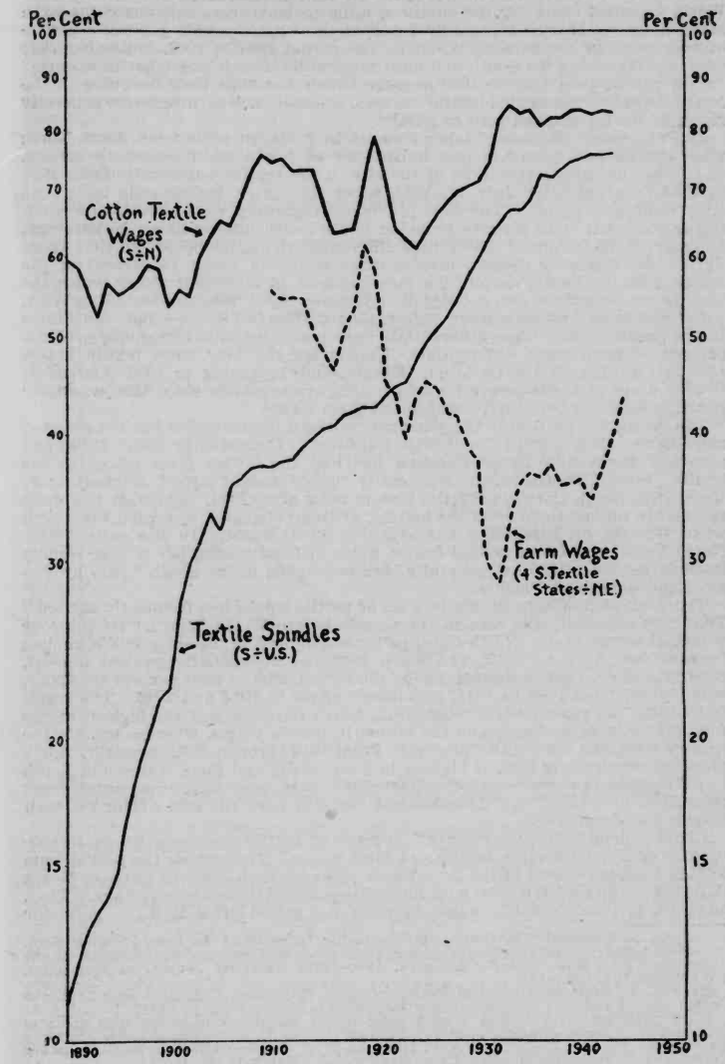
[7] The farm-wage ratio for the four southern textile States in percentage of New England was 39.5 in 1923, 45.1 in 1925, 28.5 in 1932, and 32.3 percent in 1933. Combined data for New England are not available before 1910. The ratio was constructed in the same way as the ratio for 10 Southern States compared with the country as a whole, namely, by simple averaging of States and by simple averaging of the ratios for wages on a monthly and daily basis without board. For a further explanation, see the appendix.

For a statement regarding methods of collection and regarding the reliability of the farm-wage statistics for comparisons of wage levels over periods of time see R. F. Hale and R. L. Gastineau, Reliability and Adequacy of Farm Wage Rate Data, U. S. Department of Agriculture, February 1940, especially pp. 6, 7. For a criticism of the Department of Agriculture's statistical methods see Harry Schwartz, On the Wage Structure of Agriculture, Political Science Quarterly LVII (September 1942), pp. 411–425.

The percentage of farm workers receiving board as part of their compensation has been comparatively low in the South, including not much more than half of all southern farm workers in 1917 and perhaps a third of such workers in 1927. (See Schwartz, ibid., p. 416.) The distribution of southern farm workers by period of payment shifted from the monthly payment basis outnumbering the daily basis about 5 to 3 in 1917 and 1927, to the daily basis outnumbering the monthly basis at least 2 to 1 in 1939 and 1940. (See ibid., pp. 422-423.) In the absence of adequate yearly weights by State and region, however, a simple average of monthly and daily ratios has been used. The ratios on a monthly and a daily basis tend to parallel one another throughout the whole period.

[8] Rising from 22.5 percent in 1900 to 33.5 percent by 1904 and 37.2 percent by 1909 and from 47.3 percent in 1924 to 66.7 percent in 1934. Data for the cotton-growing States and for the country as a whole as collected by the Bureau of the Census are presented in yearly issues of the Statistical Abstract of the United States.

CHART 2. FACTORS IN SOUTH-NORTH DIFFERENCES IN TEXTILE WAGES (SOUTH IN PERCENTAGE OF NORTH, NEW ENGLAND, OR U. S.



No attempt is made here to determine the causal relationships between the two series. It should be noted, however, that after March 1902 the Textile World reported labor for the southern mills to be increasingly scarce and the Manufacturers' Record repeatedly reported the existence of a general shortage of operatives in southern mills during the period 1905 to 1907, indicating that "for the time being the South had built more mills than it had labor to operate."[9] In the period from 1924 to 1930 average hourly earnings were declining in the North, especially for skilled textile workers, whereas such earnings were generally rising in the South from 1926 to 1930.[10]

The apparent influence of labor demand in southern mills upon South-North wage differentials points to the importance of fundamental economic factors. It is true that about two-fifths of the rise in the textile wages ratio from 1924 to 1934 occurred after July 17, 1933, when the cotton textile code under the NRA went into effect.[11] The code provisions regarding wages reinforced existing factors that were already reducing South-North differentials. Noteworthy, however, is the failure of the average differential to decline below the 1934 figure during the following decade, despite unionization of about 15 percent of the industry in the South, despite the establishment of minimum wages under the Fair Labor Standards Act, and despite other New Deal measures including WPA.

Cotton-textile and farm-wage differentials within the South.—Between States in the South, textile wage differentials have generally failed to conform to the pattern of farm wage differentials. Comparing the four main textile States (North Carolina, South Carolina, Georgia, and, beginning in 1906, Alabama), in only 4 out of the 25 years for which data are available since 1890 was their rank the same for both textile wages and farm wages.

The farm-wage pattern in the principal Southern textile States has not changed much since 1890, except for North Carolina.[12] Consistently until 1919, and generally thereafter, South Carolina has had the lowest farm wages in the South. Since 1890 Georgia has generally ranked second lowest, alternating at times with South Carolina for the bottom rank after 1921. Alabama has most frequently ranked third from the bottom, at times changing to second for fourth when Georgia or Mississippi have ranked third lowest. In the early 1890's North Carolina was the second lowest State in farm wages, but it rose rapidly in rank and since 1920 has generally been outranked in the South[13] only by Virginia and sometimes Florida.

The rank of Southern States in level of textile wages has frequently shifted.[14] That was especially the case in the decade before World War I. Of the four principal textile States, North Carolina ranked highest in the early 1890's, ranked lowest from 1907 to 1912, and since 1916 has consistently ranked highest. South Carolina, ranking lowest during the period 1890 to 1906 (except for 1902), was highest from 1907 to 1911, and lowest again in 1914 and 1916. The result is that for the years 1909 through 1912, North Carolina was the highest of the four States in farm wages and the lowest in textile wages, whereas exactly the reverse was true for South Carolina. From 1916 through 1932, however, North Carolina consistently ranked highest in both textile and farm wages and South Carolina was lowest in both for 1906, 1914, 1916, and 1928. In only 2 years from 1905 and 1932[15] did Alabama and Georgia have the same rank for both textile and farm wages.

Chart 3 depicts the three-State[16] average of textile and farm wages in percentage of North Carolina textile and farm wages. Throughout the period from 1890 to 1932, movement of the farm-wages ratio for each State in terms of North Carolina conforms fairly well with fluctuations in the three-State average. That, however, is true to textile wages only for the period after 1906. A ratio for

[9] See M. T. Copeland, The Cotton Manufacturing Industry of the United States, 1923, pp. 46–47; and Chen-Han Chen, Regional Differences in Costs and Productivity in the American Cotton-Manufacturing Industry, 1880–1910, Quarterly Journal of Economics, LV (August 1941), p. 548.

[10] See A. F. Hinrichs, Historical Review of Wage Rates and Wage Differentials in the Cotton-Textile Industry, Monthly Labor Review, XL (May 1935), p. 1171.

[11] The ratio was 74.3 percent 1 week prior to the effective date of the code and was 82.2 percent a month after the code went into effect. See U. S. Bureau of Labor Statistics Bulletin No. 663, pp. 71–72; and A. F. Hinrichs, Wage Rates and Weekly Earnings in the Cotton-Textile Industry, Monthly Labor Review, XL (March 1935), p. 612.

[12] Based on a simple average of monthly and daily farm wages without board.

[13] Excluding the border States and Texas.

[14] Based throughout on data for the four occupational groups mentioned at the beginning of the subsection on cotton-textile wages. For details of calculation of the ratios see the appendix.

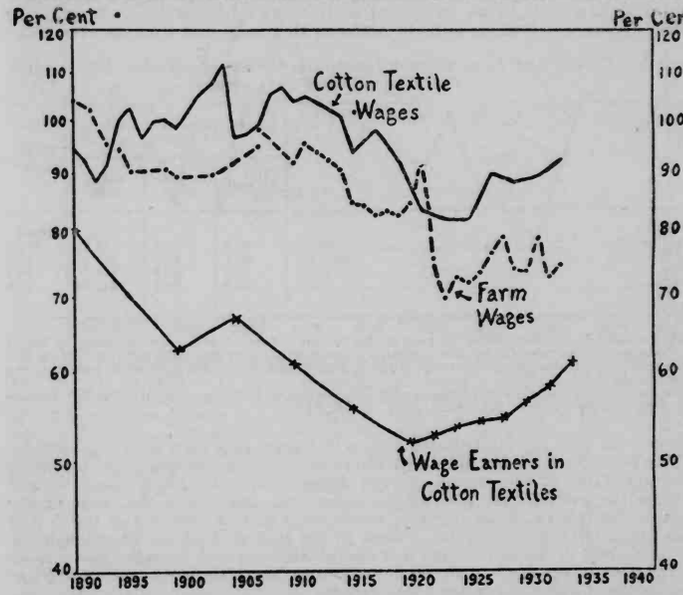
[15] 1910 and 1928.

[16] South Carolina, Georgia, and Alabama.

wage earners in cotton-goods manufacture (three-State average in percentage of North Carolina) is also indicated in chart 3.[17]

The correspondence or covariation between the ratios for textile and farm wages in chart 3 is fairly close during such periods at 1908 to 1914 and 1923 to 1929. Throughout the whole period from 1890 to 1932, however, there seems to be a closer correspondence between the radio for textile wages and that for textile wage earners.[18] For the period from 1900 to 1932, the spindlage ratio (three-State average in percentage of North Carolina) apparently corresponds as closely with the textile-wage ratio as does the wage-earner ratio.[19] These data on a State basis again confirm the importance of the relationship (presumably mutal) between changes in labor demand and in hourly earnings within the textile industry.

CHART 3. OTHER SOUTHERN TEXTILE STATES IN PERCENTAGE OF NORTH CAROLINA



Additional evidence of disagreement between farm and textile wage differentials is presented in table I. Not only are the farm wage differentials (on a North Carolina base) much wider than those for textiles, but they are the reverse of the textile differentials (except for yarn mills). Farm wage rates in Alabama average higher than in Georgia or South Carolina but average hourly earnings in textiles in Alabama are lower. The independent yarn mills, which generally pay lower wages, present a peculiar pattern.[20] Not only does the wage differential pattern in yarn mills fail to conform to differentials in agriculture, but it is almost the

[17] For the census years of 1890, 1899, 1904, 1909, 1914, and biennially from 1919 on.

[18] Recognizing, of course, the relative infrequency of data on wage earners prior to 1919.

[19] It rises from 78.4 percent in 1900 to 87.5 percent in 1905 and then declines steadily to 53.2 percent in 1925, rises to 55.0 percent in 1926, declines again to 53.3 percent in 1927, and rises steadily to 72.6 percent in 1932. The statistics represent active spindles (1917 to 1922) and active spindle hours (1923 to 1932). Data from the Census of Manufactures, 1900 and 1905, and from yearly issues of Statistical Abstract of the United States.

[20] The number of employees in the yarn mills reporting from South Carolina in the November 1943 survey was only 994, which is too small for reliable comparisons. Employment in reporting yarn mills in the other States was: North Carolina, 17,817; Georgia, 6,008; and Alabama, 8,928.

reverse of the State differentials for integrated mills that both spin yarn and weave cloth.[21]

Within Southern States the differentials in average hourly earnings in cotton textiles have been appreciable. In July 1944, for example, average hourly earnings in reporting mills in North Carolina ranged from 53.2 cents per hour in the Fayetteville area to 65.2 cents in the Charlotte area,[22] in South Carolina they ranged from 58.4 cents per hour in the Gaffney-Shelby area to 66.7 cents in the Greenville area; in Georgia from 53.5 cents in the Newnan area to 66.2 cents in the Augusta-Graniteville area; and in Alabama from 58.1 cents in the Sylacauga-Talladega area to 63.3 cents in the Lanette-La Grange area.[23]

Available statistics indicate that average hourly earnings in southern mills under union agreement generally are not much above those paid in most nonunion mills in the South. In 21 union mills in North Carolina at the end of August 1944, gross hourly earnings ranged from an average of 52.2 cents in a yarn mill (56.8 cents in an integrated mill) to 64 cents for the mill with the highest average; in 5 union mills in Alabama the range was from an average of

TABLE I.—*Textile and farm wage differentials, October–November 1943 (North Carolina=100 percent)*

State	Hourly earnings in cotton textiles [1]			Farm wages [2]
	All mills	Integrated mills	Yarn mills	
North Carolina ..... cents	54.5	56.1	48.6	*Percent* 100.0
South Carolina ..... percent	99.7	97.0	102.4	66.9
Georgia ..... do	94.5	92.2	101.7	71.4
Alabama ..... do	93.8	91.1	105.3	80.0

[1] Gross average hourly earnings for the week ending nearest to Nov. 15, 1943. Source: Study by Moore and Thiers for the American Cotton Manufacturers Association covering 380 cotton mills with 265,653 employees in the South (including Kentucky, Virginia, and Tennessee), which is about 70 percent of the industry in the South.

[2] Simple average of monthly and daily rates without board on Oct. 1, 1943, as reported to the U. S. Department of Agriculture. Source: Farm Labor, Oct. 13, 1944, p. 7.

57.4 cents an hour in an integrated mill to 60.7 cents in a yarn mill. Comparison of these averages for union mills with the ranges in area averages in the preceding paragraph fails to reveal any marked differences.[24] In North Carolina and Alabama the averages for each of the union mills fell within the range of the averages for the 15 North Carolina areas (53.2 to 65.2 cents) and the 5 Alabama areas (58.1 to 63.3 cents), except in the case of 4 of the 26 union mills. One union mill in North Carolina and two in Alabama had averages below those for any area in the State, and one union mill in North Carolina had an average three-tenths of a cent above any area average.

[21] Over-all averages, of course, conceal variations in differentials for various occupations. Out of 57 occupations listed for all mills in the November 1943 survey, North Carolina's average hourly earnings were exceeded by South Carolina's in 33 occupations, by Alabama's in 24, and by Georgia's in 15. For integrated mills only, North Carolina's averages were exceeded by South Carolina's in 24 of the 57 listed occupations, by Georgia's in 8, and by Alabama's in 7.

[22] This omits the "supplementary area" of Concord, N. C., where average hourly earnings were 75.5 cents in July 1944. That area is dominated by the Cannon Mills at Kannapolis.

[23] Actual or gross hourly earnings, including overtime. Source: Cotton Goods Industry: Employment, Hours and Earnings, and Turn-Over Rates, by Areas, May–July 1944, U. S. Bureau of Labor Statistics (mimeographed release).

[24] There was practically no change in the level of average hourly earnings for southern cotton-textile mills during the month and a half from the middle of July to the end of August 1944.

In neither North Carolina nor Alabama were the union mills with lowest average earnings per hour located in areas of lowest earnings according to the July figures of the B. L. S. study.

Source of union earnings data: Wage Analysis Showing Straight-Time Average Hourly Earnings and Gross Average Hourly Earnings of Each of the Certified Mills—September 1944; In the Matter of 23 Southern Cotton Textile Companies and Textile Workers Union of America, filed with the National War Labor Board, October 6, 1944.

For additional data on cotton-textile wage differentials see Earnings in Cotton-Goods Manufacture During the War Years, Monthly Labor Review, LXI (October 1944), pp. 828–835.

III

Lumber.—Available data indicate that a straight-line trend fitted to the South-North ratio for hourly earnings in sawmills would be approximately horizontal for the whole period from 1890 to 1944. For the period from 1910 to 1932 such a trend would have a downward slope.

CHART 4. SOUTH-NORTH WAGE RATIOS (SOUTH IN PERCENTAGE OF NORTH OR NORTH CENTRAL REGION)

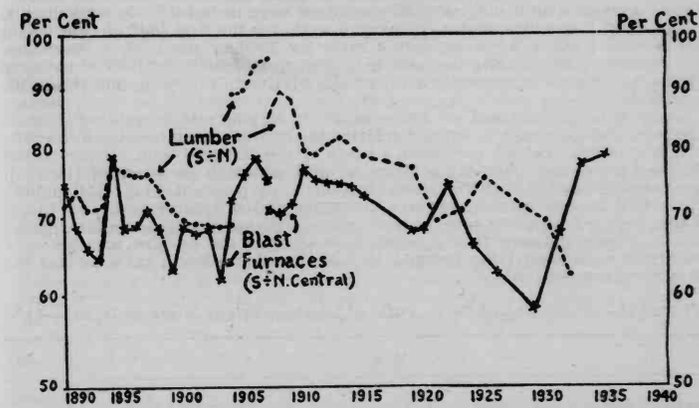


Chart 4 depicts changes in the South-North ratio for three occupational groups[25] up to 1932.[26] It is not possible to develop a continuous series for the years from 1890 to 1932. As explained more fully in the appendix, the 1904 break in the line for the "lumber" ratio is due to a doubling of the coverage of the reports beginning with that year; the drop in the ratio between 1907 and 1910 is partly due to the inclusion of data for the far West in the northern averages beginning in 1907.

For the period from 1912 to 1932 it is possible to construct a South-North ratio based on a simple average for seven sawmill occupations[27] in 13 Southern and 10 Northern and Western States.[28] That more inclusive ratio approximates the three-occupational one depicted in chart 4, both in short-term fluctuations and in long sweeps.

The decline in the South-North ratio between 1912 and 1925 is due almost entirely to the relative increase in average hourly earnings in the Western States (from 1915 to 1919 for skilled occupations and from 1919 to 1921 for laborers).[29] If the seven-occupational series for the South is divided by the average for the five Northern States, the resulting ratio is 84.5 percent for 1912 compared with 83.7 percent for 1925. Division of the southern average by that for the five Western States gives a ratio of 75.2 percent in 1912 and 61.0 percent in 1925.

From 1919 to 1932 movements in the lumber-wages ratio (chart 4) correspond fairly well with fluctuations in the farm-wages ratio (chart 1). The lumber or sawmill ratio is only slightly above the farm ratio during that period, except for 1932 when temporarily it falls just below the farm-wages ratio. Of the three sawmill occupations, the ratio for laborers has the sharpest down-

[25] Band sawyers, edgermen, and laborers.

[26] Subsequent data are given in table II.

[27] Band sawyers, doggers, setters, edgermen, trimmer operators, machine feeders in planing mills, and laborers.

[28] Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia for the South; Maine, Michigan, Minnesota, Pennsylvania, and Wisconsin in the North; and California, Idaho, Montana, Oregon, and Washington in the West.

[29] See the charts, pp. 42 and 43 in A. Berglund, G. T. Starnes, and F. T. de Vyver, Labor in the Industrial South, 1930.

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ward trend, declining by 34 percent from 1913 to 1932, compared with declines of 22 and 18 percent, respectively, for the edgermen's and band sawyers' ratios.

For the period after 1932 it is necessary to shift the basis of the ratio to an average of hourly earnings for all occupations and to divide such an average for the South by a similar one for the country as a whole. Table II gives the resulting ratio for the South in percentage of the average for the United States at various dates from 1930 to July 1944.

The ratios in the table are not strictly comparable because of variations in coverage.[30] Furthermore, the figures for 1943 and 1944 include logging as well as sawmill employees, a fact which tends to make the ratios somewhat smaller than they would be if only sawmill employees were included.[31] Nevertheless, it seems safe to conclude that a comparable ratio for the first half of 1944 would not be much above a corresponding ratio for 1930 or for 1890, a conclusion which implies that during the past half century wages in the lumber industry in the South have increased little, if at all, relative to such wages in the North and West.

Data on lumber cut and on wage earners in logging and sawmilling show no tendency for the South to expand relative to the rest of the country during the last 3 decades. Indeed, the South's share of the Nation's total lumber output declined somewhat after World War I,[32] and, although its share of the total wage earners in the industry remained practically constant from 1914 to 1939, the actual number of wage earners in logging and sawmill operations[33] in the South declined about 45 percent during those 25 years. Consequently, wages in the lumber industry in the South have not had the upward pressure of a relatively expanding labor demand to raise the South-North ratio as was the case in cotton textiles.

TABLE II.—*South United States ratio of hourly earnings in sawmills, 1930–44*[1]

Date	Ratio
	Percent
May–July 1930	72.4
May–July 1932	66.9
April 1935	70.2
April 1936	63.1
September 1939–April 1940	71.4
February 1943	72.5
March 1944	71.7
July 1944	72.7

[1] Sources of data for calculations: U. S. Bureau of Labor Statistics Bulletin No. 586, 1933, p. 6; Monthly Labor Review, XLIV (April 1937), pp. 850–853; Monthly Labor Review, LIII (July 1941), pp. 195, 203; Economic Factors Bearing on the Establishment of Minimum Wages in the Logging, Lumber and Timber and Related Products Industries, Wage and Hour Division, U. S. Department of Labor, August 1943, p. 35 for February 1943 data; typewritten table from U. S. Bureau of Labor Statistics for 1944 data; and Trend in Employment, Earnings, and Hours," in various issues of the Monthly Labor Review for United States averages.

[30] For example, the 1930, 1932, and 1939–40 figures were based on special surveys covering 50,951, 32,130, and 34,159 sawmill employees respectively. The 1935, 1936, 1943, and 1944 figures are for mills that report regularly each month. The South as defined for this table includes Oklahoma, Arkansas, and Kentucky, except for the years 1930, 1932, and 1944, when the simple average for 11 States, exclusive of Oklahoma and Kentucky, was used. For the other years, presumably the figure for the South is an average weighted by employment in each State. In the period of September 1939 to April 1940, most of the data for the North and West relate to a pay-roll period prior to the introduction of the 30-cent minimum on October 25, whereas most of the data for the South relate to a pay-roll period after October 25.

[31] The marked regional variations in the differentials for logging and sawmilling are indicated in the folowing ratios of average hourly earnings for September 1939——April 1940, derived from data in Monthly Labor Review, LII (July 1941), pp. 195–203:

	Sawmills	Logging
South in percent of North	82.1	91.5
South in percent of West	48.3	43.0
South in percent of United States	71.4	57.6

[32] The South's share of the total board feet cut in the United States fell from 46.4 percent in the decade of the twenties and 39.4 percent in the decade of the thirties.

[33] The U. S. Census classification, "lumber and timber products."

No attempt is made here to explain why relatively low wages have not induced an increase in the South's share of the Nation's lumber output. Data indicate that it required in 1934 about two and a half times as many hours of labor per unit of output in logging and sawmill operations in the South as it did in large operations on the Pacific coast.[34] A census study for 1939 reveals that sawmills in the State of Washington, while paying average hourly earnings about two and a half times greater, had a value added by manufacture per wage-earner man-hour about two and a third times greater and a use of electric energy per wage-earner man-hour over 15 times greater, than sawmills in Alabama, Georgia, and Texas.[35]

Blast furnaces.—Chart 4 also depicts a South-North ratio for two blast-furnace occupations. On such a narrow base, its chief significance is to indicate general trends.[36]

From 1890 to 1931 the blast-furnace ratio appears to fluctuate around a horizontal trend at approximately 70 percent. Even the figure for 1935 is not much above the ratio for 1910. Unfortunately comparable data are not available for the years since 1935. The South-North ratio of wages for all wage earners in blast-furnace products did increase from 79.4 percent for 1935 to 83.1 percent for 1937.[37]

The South's share of the Nation's blast-furnace production (in terms of value added by manufacture) did not increase between 1899 and 1939. During those four decades, there is little apparent relationship between variations in the South-North ratio of hourly earnings in the two blast-furnace occupations and the South's share of the total wage earners in blast-furnace operations.[38]

Much the same is true for cast-iron pipe production. Although the South-North differential in that branch of the iron and steel industry has also been of long standing (the South-North ratio of average hourly earnings being 84 percent for 1937),[39] Alabama's share of the Nation's wage earners in cast-iron pipe production did not reach the 1925 figure of 50 percent during the ensuing 14 years.

III

Data for the industries discussed in this section permit the calculation of South-North ratios for only a part of the period since 1890.

Furniture.—Chart 5 depicts the South-United States ratio of average hourly earnings in furniture manufacture for the years 1929 to 1931 and January 1937 to January 1944. For the intervening period (1931 to January 1937) the average of southern wage rates was divided by United States average hourly earnings (the dash line on chart 5).[40]

The furniture ratio rose notably during two short periods in the years from 1929 to 1944. The first relative rise in southern wages occurred under the

[34] See A. J. van Tassel and D. W. Bluestone, Mechanization in the Lumber Industry, National Research Project, Report No. M–5, Work Projects Administration, March 1940, pp. 55, 100, 102, and 156. See also the author's Economics of Labor, 1941, p. 214.

[35] Data for 823 sawmills with 30,298 wage earners in Alabama, Georgia, and Texas, and 249 mills with 26,748 wage earners in Washington. Taken from appendix table 29, p. 141, in Minimum Wages in the Lumber and Timber Products Industry, Wage and Hour Division, U. S. Department of Labor, June 1941.

[36] That too much stress should not be placed on the minor fluctuations in this ratio is indicated by the fact that a ratio for 3 bar-mill occupations (catchers, rollers, and roughers) moves in the opposite directions from that for blast furnaces during most of the years from 1890 to 1901 and between 1926 and 1929. There is a gap in the bar-mill series from 1907 to 1913.

[37] Data are for all Northern States and for Alabama, Tennessee, West Virginia, Maryland, and Kentucky in the South as given in Man-Hour Statistics for 59 Selected Industries, Census of Manufactures, 1935, January 1938, p. 34, and Man-Hour Statistics for 105 Selected Industries, Census of Manufactures: 1937, December 1939, p. 59. The over-all blast-furnace ratio for Alabama, compared with the average for Ohio, Michigan, Indiana, and Illinois, rose from 63.3 percent for 1933 to 74.8 percent in 1937. (See *ibid.*, and Man-Hour Statistics for 32 Selected Industries, Census of Manufactures: 1933, U. S. Bureau of the Census, November 1935, p. 29.)

[38] Of the Nation's total wage earners in blast-furnace operations, Alabama accounted for 12.8 percent in 1899 and 11.3 percent in 1939. The range during the intervening census years was from 7.9 percent in 1937 to 16.6 percent in 1925. Tennessee and Virginia, which together accounted for 8.6 percent of the Nation's wage earners in blast-furnace operations in 1899, represented but 2.8 percent in 1925, after which figures for both States are not reported separately.

[39] Based on Man-Hour Statistics for 105 Selected Industries, op. cit., p. 60.

[40] See appendix for actual ratios and further explanation of the data on which they are based.

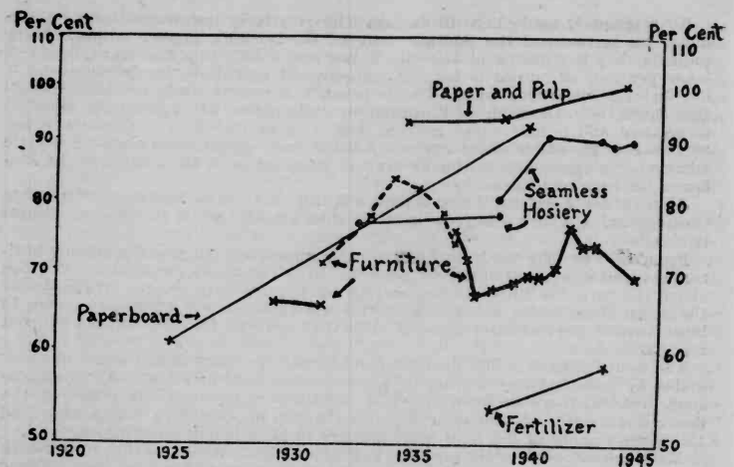

CHART 5. SOUTH-NORTH WAGE RATIOS (SOUTH IN PERCENTAGE OF NORTH OR UNITED STATES)

NRA.[41] From 63 percent for June 1933, the South-United States ratio rose to 85.5 percent for the last quarter of 1933—a figure not exceeded thereafter. The second rise occurred in connection with the establishment of a 40-cent minimum under the Fair Labor Standards Act, effective November 3, 1941. In both instances the ratio subsequently declined to the level prevailing before the rise took place—in the first instance because of a decline in average hourly earnings in the South as well as a rise in the North, and in the second instance because average hourly earnings rose more rapidly in the North.[42]

A straight-line trend for the South-United States furniture ratio appears to be horizontal at about 72 percent for the years 1929 to 1944. A South-United States ratio based on a weighted average of hourly earnings for two skilled occupations has a downward trend between 1890 and 1907, as is indicated in table III. The ratios for 1912 to 1915 in table III are at about the same level as those for 1929 and 1931 (around 72 percent).[43] The sharp rise in the ratio in 1919 was followed by a subsequent decline that brought it back to prewar levels. Taking the period 1890 to 1944 as a whole, there is no evidence of any upward trend in the South-United States furniture ratio. It appears to have had a declining trend during the first two decades (1890–1910) and a horizontal trend thereafter.

The horizontal trend of the furniture ratio is all the more striking in view of the fact that the South's share of the Nation's furniture employment and output has been expanding, at least since 1914.[44]

[41] First under the President's reemployment agreement, with its minimum-wage conditions, and later under the furniture code, effective December 7, 1933.

[42] During the current war considerable deterioration has occurred in the quality of labor available for furniture production both in the South and in the North.

[43] The use of skilled occupations may partly explain the downward trend up to 1911. Note that the two-occupations' ratio is somewhat above the all-occupations' ratio (appendix and chart 5) for the years 1929 and 1931, and for October 1937.

[44] Between the 1914 and 1929 Censuses of Manufacturers, the percentage of the Nation's furniture wage earners employed in Virginia, North Carolina, and Tennessee rose from 9 to 13 percent. Those 3 Southern States accounted for 21.5 percent of the Nation's wood household furniture production in 1939 compared with 14.4 percent in 1929. (The corresponding figures for 9 Southern States are 25.9 percent in 1939 and 16.5 percent in 1929.)

TABLE III.—*South United States ratios for 2 furniture occupations* [1]

Years	Ratio	Years	Ratio
	Percent		*Percent*
1890	86.3	1915	71.3
1891 to 1906 (average)	78.2	1919	92.1
1907	74.9	1929	72.1
1911	69.6	1931	73.9
1912	75.0	October 1937	78.3
1913	71.8		

[1] Machine woodworkers and cabinet makers and skilled assemblers. South includes the South Atlantic and South Central regions from 1890 to 1907, the 2 States of North Carolina and Tennessee for the years 1911 to 1931, and all Southern States for October 1937. The numbers of employees in the occupation were used as weights to calculate the ratio for the occupation, and the combined ratio is a simple average of the 2 occupational ratios.

Sources of data: Those listed p. 455 in U. S. Bureau of Labor Statistics Bulletin No. 604, and Monthly Labor Review XXX (April 1930), p. 871, and XXXIV (March 1932), p. 648, and Bulletin No. 669, 1940, p. 72.

Paper and pulp.—Adequate data are not available for the calculation of ratios for the paper and pulp industry prior to 1934. The United States Bureau of Labor Statistics did, however, conduct a Nation-wide survey of the paperboard industry in the first half of 1925 and again in November-December 1939.[45] During those 14½ years, average wages paid in seven occupations [46] in the paperboard industry rose by 75 percent in the South,[47] compared with a rise of only 16 percent for the country as a whole. Consequently, the South-United States wage ratio for those seven occupations rose from 61 percent in the first half of 1925 to 92.4 percent late in 1939.[48] For two skilled occupations,[49] the weighted average for the South exceeded the average for the United States by more than 5 percent in 1939.

There is some evidence of a steady increase in the South-United States wage ratio (a relative rise in southern wages) for the paper and pulp industry from 1925 to 1944. For the period from 1925 to 1933 that conclusion rests, however, on a South-United States ratio of average annual wages per wage earner for the biennial census years, and changes in annual earnings are not a reliable measure of increases in wage rates or hourly earnings.[50] For the period from 1933 to 1937, the census gives average wages per man-hour separately for paper and for pulp. South-United States ratios based on those data increased from 1933 to 1935 and from 1935 to 1937.[51]

The annual Survey of Occupational Wage Rates in the Paper and Pulp Industry, published by the American Paper and Pulp Association, provides fairly comparable data for the period from 1934 to 1943. The most detailed occupational summaries are given in the surveys for September 1934, October 1938, and November 1943—the three dates for which South-North ratios of wage rates were calculated

[45] See Bulletin No. 407, October 1926, and Bulletin No. 692, 1941.

[46] Beater foremen or head beatermen, back tenders, machine tenders, beatermen or assistant head beatermen, third hands, beater helpers, and broke men. These occupations, which in the 1939 survey represented about 30 percent of the employees for the United States and 22 percent for the South, appear to be the only ones strictly comparable in both surveys.

[47] The South here is confined to Alabama, Georgia, Louisiana, South Carolina, Tennessee, Virginia, and West Virginia—the only ones for which separate State data were given.

[48] A South-United States ratio was calculated for each occupation using weighted averages for the South. The final ratio is a simple average of the seven occupation ratios.

[49] Back tenders and machine tenders. For all skilled trades, the average of the southern region exceeded that of the northeastern region and equaled that of the midwestern region. (See Bulletin No. 692, p. 11.)

[50] Such a South United States ratio for paper and pulp (with Louisiana, Tennessee, and Virginia representing the South as they were the only Southern States for which separate data were given in the Biennial Census of Manufactures) stood at 79 percent for 1925, at 82.8 percent for 1927, and 89.5 percent for 1929, at 89.4 percent for 1931, and at 92.8 percent for 1933. Total wages in the census were divided by average number of wage earners to obtain average annual earnings.

[51] Except for a slight decline in pulp from 1933 to 1935, which would not be sufficient to prevent an increase in the combined paper and pul ratio. The ratios are as follows: 87.1 percent for 1933, 88.4 percent for 1935, and 91.5 percent for 1937, in paper; and 86.8 percent for 1933, 86.2 percent for 1935, and 88.3 percent for 1937, in pulp. The data for calculating the ratios were taken from Man-Hour Statistics for 32 Selected Industries, Census of Manufactures: 1933, November 1935, pp. 24, 25; Man-Hour Statistics for 59 Selected Industries, Census of Manufactures: 1935, January 1938, pp. 25, 26; and Man-Hour Statistics for 105 Selected Industries, Census of Manufactures: 1937, December 1939, pp. 41, 42.

and plotted on chart 5. From 1934 to 1938 the South-North ratio, based on 35 occupations, rose from 93.3 to 94 percent.[52] Between 1938 and 1943 the rise was more rapid. On the basis of data for 22 occupations, the South-North ratio for November 1943 is 101.2 percent.[53]

Higher absolute wages in the South than in the North for skilled occupations explains why the southern average of wage rates in paper and pulp probably equaled the northern average in 1943. In 1934, average wage rates in the southern zone,[54] or "lower South," exceeded the average for all northern regions [55] in 17 of the 35 occupations; in 1938 the southern zone exceeded in 14 of the 35 occupations. Compared with the North, the southern rates were generally higher in the skilled and high-wage occupations and considerably lower in the low-wage jobs.[56] In contrast, the central zone,[57] or "upper South," has generally paid rates somewhat less than the northern average for both skilled and unskilled jobs.[58]

Between 1934 and 1943 there were notable differences in the rates of increase of average wage rates in the "upper" and the "lower" South. The 35 occupations' average for the "upper" South, which was 1 percent below the same average for the "lower" South in 1934, rose to almost 8 percent above the average for the "lower" South in 1938.[59] From 1938 to 1943, however, the "lower" South average rose 7 percent relative to that for the "upper" South, almost restoring the 1934 ratio between the two zones.[60]

The increase in the South-United States wage ratio for the paper and pulp industry between 1925 and 1944 was accompanied by an increase in the South's share of employment and production in the industry. From less than 4 percent of the Nation's wage earners in paper and pulp in 1925, the three States of Virginia, Tennessee, and Louisiana expanded to about 6 percent in 1927 and 1933, to almost 7 percent in 1937, and to about 7½ percent in 1939.[61]

Hosiery.—Detailed wage statistics, with seamless separated from full-fashioned hosiery, are not available prior to 1938. It is, however, possible to obtain some conception of wage changes in the South relative to the North between 1932 and 1938 by comparing the knitters' occupations in the 1932 and 1938 wage surveys of the United States Bureau of Labor Statistics. The results are indicated in table IV, along with South-North ratios based on all occupations in both branches of the industry for the period of 1938 to 1944.

Practically the only increase in the South-North ratio for seamless hosiery occurred between September 1938 and September 1940. Presumably the relative rise in southern wages during that period was largely due to the 25-cent minimum wage effective October 24, 1938, and the 32½-cent minimum effective September 18, 1939, under the Fair Labor Standards Act. In full-fashioned hosiery, on the other hand, the South-North ratio increased considerably from 1932 to 1938 but declined somewhat from 1938 to 1944.

In seamless and full-fashioned hosiery, the South-North ratio has been considerably higher for skilled workers, especially males, than for unskilled or semi-

[52] All occupations with the same titles in both years were used. Wage rates for the Southern and Central regions (which include Delaware, District of Columbia, Maryland, Kentucky, and West Virginia, as well as the "regular" Southern States) were combined by simple averaging. The final ratios are the simple average of ratios for each of the 35 occupations.

[53] This figure was derived by applying the percentage increase from 1938 to 1943 (namely 7.7 percent) to the ratio for 1938 (namely, 94 percent). In the absence of an average for the North it was necessary to use a simple average for the New England, Middle Atlantic, and Pacific coast regions in computing ratios for the 22 occupations in both years. Otherwise the calculations were as explained in the preceding footnote.

[54] Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Texas.

[55] New England States, Middle Atlantic States, Lake States, Central States, and Pacific Coast States.

[56] Of the 35 occupations, the South in 1934 was higher than the North in 15 of the 16 occupations with a southern average of more than 50 cents an hour, and was higher in 14 of the 16 occupations paying an average of more than 60 cents an hour in the South in 1938. Of the 17 occupations in 1943, the South was higher in all 6 that paid over $1 per hour in the South.

[57] Including Delaware, District of Columbia, Maryland, Kentucky, North Carolina, Tennessee, Virginia, and West Virginia.

[58] In 1934 the central zone averages exceeded the northern zone's in only 2 of the 35 occupations, in 1938 in 2 different occupations out of the 35, and in 1943 in 3 of the 17 occupations.

[59] In October 1938, as many as 22 percent of the paper and pulp employees in the "lower" South were being paid hourly wage rates under 40 cents, compared with 11 percent for the "upper" South and 6.4 percent for the country as a whole. See the special tabulations, p. 53, in Report on the Pulp and Paper Industries, Wage and Hour Division, U. S. Department of Labor, March 18, 1940.

[60] Based on changes in the averages for 17 occupations.

[61] Based on the Biennial Census of Manufactures, which gives separate data for only those three Southern States through the whole period.

skilled workers. In 1938 that ratio for skilled employees was 90 or 91 percent (the South 9 or 10 percent below the North) for both branches of the industry.[62]

Variations in average hourly earnings have been wide within the northern and southern regions in both branches of hosiery. For example, the average for all workers in full-fashioned hosiery in the South in 1938 exceeded the average for nonunion plants in the North,[63] and in July 1943 average straight-time hourly earnings in Asheville, N. C., were more than 20 percent below the Charlotte, N. C., average for the same selected occupations in full-fashioned mills.[64] In seamless hosiery in 1940, average hourly earnings in North Carolina exceeded the average both for Pennsylvania and for the North Atlantic States; the average for the High Point, N. C., area approximately equaled the average for the Midwest and was more than 20 percent above the average for Georgia.[65]

The full-fashioned hosiery industry expanded very rapidly in the South after 1923. For example, the proportion of all full-fashioned hosiery plants located in the South rose from 9.5 percent in 1923 to 20 percent in 1929, 30 percent in 1937, and 35 percent at the end of 1938.[66] That expansion was apparently accompanied, at least between 1932 and 1938, by a rise in the South-North wages ratio.

TABLE IV.—*South-North ratios for seamless and full-fashioned hosiery, 1932–44* [1]

Date	Seamless	Full-fashioned	Date	Seamless	Full-fashioned
	Percent	*Percent*		*Percent*	*Percent*
Early months, 1932	76.4	71.6	Last quarter, 1942	90.4	77.4
September 1938	77.9	87.8	1943	89.1	74.5
Do	80.3	83.5	9 months, 1944	89.8	75.4
September 1940	90.7				

[1] Ratios calculated from weighted average hourly earnings for knitters (male footers and leggers in full-fashioned, and female transfer knitters in seamless) for 4 Southern States (North Carolina, Virginia, Tennessee, and Georgia) and 8 Northern States (Indiana, Massachusetts, Michigan, Minnesota, Wisconsin, New Jersey, New York, and Pennsylvania) in U. S. Bureau of Labor Statistics Bulletin No. 591, 1933, pp. 2, 73, and in Monthly Labor Review XLIIX (May 1939), p. 1158 and (June 1939), p. 1397. These knitters, occupations represented 21 percent of the total hosiery employment in the 1932 sample. The September 1940 ratio for seamless is based on the same mills as the 1938 ratio. (See Monthly Labor Review, June 1941, p. 1530.) The ratios for October 1942 through September 1944 are based on typewritten monthly series of average hourly earnings in all occupations for both branches divided into North and South (Alabama, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, Louisiana, and Texas).

Although adequate statistical data are lacking, most of the rapid expansion in seamless hosiery in the South appears to have occurred prior to 1933, as a part of the South's expansion in cotton textiles. In 1934 approximately 60 percent of the seamless plants were located in the southern region; for February 1941 the figure was over 66 percent.[67]

Fertilizer.—Almost two-thirds of the wage earners engaged in the manufacture of commercial fertilizer and superphosphates and the mixing of fertilizer materials are in the South.

As indicated in chart 5, the South-North ratio of average hourly earnings for the fertilizer industry increased from 51.8 percent in 1938 to 59.1 percent in January 1943.[68] Judging from the South-North ratios for average hourly entrance rates of adult male common laborers in the fertilizer industry,[69] the

[62] See Monthly Labor Review XLIIX (May 1939), pp. 1153, 1161, and (June 1939), p. 1393.

[63] *Ibid.*

[64] See Full-fashioned and Seamless Hosiery: Eight Southeastern Labor Market Areas, Straight-time Average Hourly Earnings, Selected Occupations, July 1943, U. S. Bureau of Labor Statistics, Division of Wage Analysis, Regional Office No. IV, Atlanta, Ga., May 6, 1944, pp. 8 9.

[65] Monthly Labor Review LII (June 1941) p. 1517.

[66] See Report on the Full-fashioned Hosiery Industry, Wage and Hour Division, U. S. Department of Labor, March 27, 1939, pp. 4, 5.

[67] See Minimum Wages in the Seamless Hosiery Industry, Wage and Hour Division, March 1941, pp. 7, 8. North Carolina, Georgia, and Tennessee accounted for 65 percent of total seamless-hosiery production in 1938.

[68] Sources of data for calculations: Monthly Labor Review XLIIX (March 1939), p. 674, and U. S. Bureau of Labor Statistics Bulletin No. 751, 1943, p. 5.

[69] See Economic Factors Bearing on the Establishment of Minimum Wages in the Chemical, Petroleum, and Coal Products, and Allied Manufacturing Industries, Wage and Hour and Public Contracts Divisions, U. S. Department of Labor, June 1943, p. 39.

increase between 1938 and 1943 was gradual. A minimum wage rate had not been established for the fertilizer industry by January 1943, although the statutory minima of 25 cents, effective October 24, 1938, and 30 cents, effective October 24, 1939, applied.

Within the South average hourly earnings in the fertilizer industry in 1943 were lowest in Alabama, Mississippi, Louisiana, Arkansas, and Texas, and were highest in Virginia and Florida. Indeed, Virginia's average was 78 percent of the average for the North.

IV

The above data on wage differentials point to certain general conclusions and raise issues for further study.

1. It is evident that South-North wage differentials have existed since 1890 in building, metal trades, cotton textiles, iron and steel, lumber, farming, furniture, and other industries. Scattered data indicate that such differentials existed during the 1870's and 1880's, and even earlier.[70]

2. For certain skilled trades, average wages in the South have exceeded the average for the North, e. g., the metal trades prior to 1920 and skilled jobs in paper and pulp mills during the past decade. (Average annual salaries in a majority of the competitive lines of manufacture also appear to have been higher in the South than for the country as a whole.[71]) In some industries southern wages for certain skilled trades equal those paid in the North (e. g., iron and steel[72]) or are closer to the northern rates than are those for semi-skilled or unskilled jobs in the South (e. g., hosiery). On the other hand, in cotton textiles, the South-North differential in 1943 was, in general, a larger percentage for skilled jobs than for the unskilled.[73]

3. The trend of the South-North wage ratios since 1890 has been downward for skilled metal trades, for building trades, for farming, and for furniture (at least up to 1910). The straight-line trend for lumber and blast furnaces appears to be approximately horizontal for the whole period since 1890. Of the industries for which statistics are available, only the South-North ratio for cotton textiles has had a conspicuous upward trend for the 55-year period. In paper and pulp, hosiery, and fertilizer, South-North wage differentials have been reduced during the past 20 years. The reduction appears to have been especially marked in paper.

4. Expansion of the industry in the South relative to the North helps to explain the increase in the South-North wage ratios in cotton textiles, hosiery, and paper and pulp. Within the South there has also been a close correspondence between expansion of employment and wage levels in cotton textiles. Lack of expansion in the South relative to the North presumably is one of the reasons that the South-North ratios for lumber, blast furnaces, and metal trades seem to lack an upward trend, if a straight line is applied to the entire period for which data are available. On the other hand, the percentage of the furniture industry located in the South has increased during the past 30 years, yet the three marked increases in the South-North ratio during that period were followed by corresponding decreases.

5. There seems to be a surprising lack of relationship between the South-North textile and farm wage ratios, especially during the past two decades. The lack of such relationship is also notable within the South, where the rank of States in terms of textile and farm wages has seldom corresponded. Furthermore, for most of the past half century there is little tendency for the South-North ratios in different industries to rise and fall together.

[70] For pre-1890 data see U. S. Bureau of Labor Statistics Bulletin No. 604.

[71] See, for example, the tables, based on the 1937 Census of Manufactures, in H. L. Herring, Southern Industry and Regional Development, 1940, pp. 16–29. Salary per salaried person in the South exceeded the figure for the United States in 10 of the 18 industry categories for which tables were presented.

[72] See Brief Submitted by the United Steelworkers of America to Panel of National War Labor Board, case No. 111–6230–D–14–1, 1944, p. 18.

[73] See Monthly Labor Review LXI (October 1944), p. 833.

6. Wage differentials between the South and the North and within both regions vary widely and irrationally from industry to industry and locality to locality. Wide differences in average hourly earnings exist in the same industry within the State, e. g., seamless and full-fashioned hosiery in North Carolina and Pennsylvania. The persistence of such differentials may be difficult to explain in terms of demand and supply. In part, they reflect company policies and industry practices. Some firms follow the practice of paying the "prevailing wages" for the locality; other employers, such as General Motors,[74] Ford, and the Federal Government, follow the contrary practice of applying a wage scale or scales uniformly throughout the country.

7. Exclusive of cotton textiles, manufacturing employment has not expanded much more rapidly in the South than in the rest of the country since 1909.[75] Within the South employment in manufacturing has expanded no more rapidly in the lower wage areas than in the higher wage areas during the past half century.[76] Indeed, the greatest rate of expansion occurred in the relatively high-wage State of North Carolina.[77] Furthermore, there seems to be little evidence that manufacturing employment as a whole in the South has expanded or contracted as South-North wage differentials have generally widened or narrowed.

8. During the past 55 years, South-North wage differentials for a number of the prominent manufacturing industries in the South show surprisingly little reduction. World War I, New Deal measures, labor unions, and various economic adjustments appear to have brought few permanent alterations in South-North wage ratios for lumber, furniture, building construction, or, since 1932, for full-fashioned hosiery. Undoubtedly minimum wages under the Fair Labor Standards Act did help to bring about a continued decrease in the South-North wage differentials for a few industries as, for example, seamless hosiery and perhaps fertilizer.

9. Judging by this study, low wage rates may be less important as a factor in industrial location and expansion than is commonly assumed, and the time required for economic forces to reduce or elminate wage differentials within a country may be much longer in practice than in theory. Even in cotton textiles, where the South-North differentials have been considerably reduced during the past 55 years, further wage "adjustments" must apparently be made before the industry can approach a "stable equilibrium." [78]

Economists have generally explained geographic wage differentials within a country as temporary "maladjustments" that will be eliminated by "economic forces," such as the migration of industry and labor. Presumably only differences in labor efficiency could explain permanent wage differentials for workers performing the same work under comparable conditions in different localities. The productivity of labor in the South and in the North will be analyzed in a subsequent paper.

[74] General Motors has three scales, one for Detroit, one for a select group of other cities, and a third, which applies to parts of Michigan and other Northern States as well as to the South.

[75] Excluding cotton textiles completely, 11 Southern States (Virginia, North Carolina, Tennessee, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas, and Texas) represented 13.4 percent of the wage earners in manufacturing in this country in 1909, 12.1 percent in 1919, 13.3 percent in 1929, and 14.7 percent in 1939. Including textiles, the percentages were 14.8 percent in 1909, 13.4 percent in 1919, 15.7 percent in 1929, and 17.8 percent in 1939, including a significant increase in the decade from 1929 to 1939.

[76] The relatively low-wage States of Alabama, Mississippi, Georgia, and South Carolina accounted for 34.2 percent of the total wage earners in manufacturing in the 11 Southern States in 1899, compared with 31.7 percent in 1939 (1899 was the high and 30.0 percent in both 1919 and 1935 was the low).

[77] Of the total wage earners in manufacturing in the 11 Southern States, North Carolina's percentage rose from 11.8 percent in 1899 to 13.7 percent in 1914, to 15.5 percent in 1927, and to 19.2 percent in 1939, in spite of a relative decline in her position in cotton textiles after 1921. (See chart 3.)

[78] This was written before the National War Labor Board's decision, released February 21, 1945, in the case involving 23 southern cotton-textile companies.

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increase between 1938 and 1943 was gradual. A minimum wage rate had not been established for the fertilizer industry by January 1943, although the statutory minima of 25 cents, effective October 24, 1938, and 30 cents, effective October 24, 1939, applied.

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The above data on wage differentials point to certain general conclusions and raise issues for further study.

1. It is evident that South-North wage differentials have existed since 1890 in building, metal trades, cotton textiles, iron and steel, lumber, farming, furniture, and other industries. Scattered data indicate that such differentials existed during the 1870's and 1880's, and even earlier.[70]

2. For certain skilled trades, average wages in the South have exceeded the average for the North, e. g., the metal trades prior to 1920 and skilled jobs in paper and pulp mills during the past decade. (Average annual salaries in a majority of the competitive lines of manufacture also appear to have been higher in the South than for the country as a whole.[71]) In some industries southern wages for certain skilled trades equal those paid in the North (e. g., iron and steel [72]) or are closer to the northern rates than are those for semi-skilled or unskilled jobs in the South (e. g., hosiery). On the other hand, in cotton textiles, the South-North differential in 1943 was, in general, a larger percentage for skilled jobs than for the unskilled.[73]

3. The trend of the South-North wage ratios since 1890 has been downward for skilled metal trades, for building trades, for farming, and for furniture (at least up to 1910). The straight-line trend for lumber and blast furnaces appears to be approximately horizontal for the whole period since 1890. Of the industries for which statistics are available, only the South-North ratio for cotton textiles has had a conspicuous upward trend for the 55-year period. In paper and pulp, hosiery, and fertilizer, South-North wage differentials have been reduced during the past 20 years. The reduction appears to have been especially marked in paper.

4. Expansion of the industry in the South relative to the North helps to explain the increase in the South-North wage ratios in cotton textiles, hosiery, and paper and pulp. Within the South there has also been a close correspondence between expansion of employment and wage levels in cotton textiles. Lack of expansion in the South relative to the North presumably is one of the reasons that the South-North ratios for lumber, blast furnaces, and metal trades seem to lack an upward trend, if a straight line is applied to the entire period for which data are available. On the other hand, the percentage of the furniture industry located in the South has increased during the past 30 years, yet the three marked increases in the South-North ratio during that period were followed by corresponding decreases.

5. There seems to be a surprising lack of relationship between the South-North textile and farm wage ratios, especially during the past two decades. The lack of such relationship is also notable within the South, where the rank of States in terms of textile and farm wages has seldom corresponded. Furthermore, for most of the past half century there is little tendency for the South-North ratios in different industries to rise and fall together.

[70] For pre-1890 data see U. S. Bureau of Labor Statistics Bulletin No. 604.

[71] See, for example, the tables, based on the 1937 Census of Manufactures, in H. L. Herring, Southern Industry and Regional Development, 1940, pp. 16–29. Salary per salaried person in the South exceeded the figure for the United States in 10 of the 18 industry categories for which tables were presented.

[72] See Brief Submitted by the United Steelworkers of America to Panel of National War Labor Board, case No. 111–6230–D–14–1, 1944, p. 18.

[73] See Monthly Labor Review LXI (October 1944), p. 833.

6. Wage differentials between the South and the North and within both regions vary widely and irrationally from industry to industry and locality to locality. Wide differences in average hourly earnings exist in the same industry within the State, e. g., seamless and full-fashioned hosiery in North Carolina and Pennsylvania. The persistence of such differentials may be difficult to explain in terms of demand and supply. In part, they reflect company policies and industry practices. Some firms follow the practice of paying the "prevailing wages" for the locality; other employers, such as General Motors,[74] Ford, and the Federal Government, follow the contrary practice of applying a wage scale or scales uniformly throughout the country.

7. Exclusive of cotton textiles, manufacturing employment has not expanded much more rapidly in the South than in the rest of the country since 1909.[75] Within the South employment in manufacturing has expanded no more rapidly in the lower wage areas than in the higher wage areas during the past half century.[76] Indeed, the greatest rate of expansion occurred in the relatively high-wage State of North Carolina.[77] Furthermore, there seems to be little evidence that manufacturing employment as a whole in the South has expanded or contracted as South-North wage differentials have generally widened or narrowed.

8. During the past 55 years, South-North wage differentials for a number of the prominent manufacturing industries in the South show surprisingly little reduction. World War I, New Deal measures, labor unions, and various economic adjustments appear to have brought few permanent alterations in South-North wage ratios for lumber, furniture, building construction, or, since 1932, for full-fashioned hosiery. Undoubtedly minimum wages under the Fair Labor Standards Act did help to bring about a continued decrease in the South-North wage differentials for a few industries as, for example, seamless hosiery and perhaps fertilizer.

9. Judging by this study, low wage rates may be less important as a factor in industrial location and expansion than is commonly assumed, and the time required for economic forces to reduce or eliminate wage differentials within a country may be much longer in practice than in theory. Even in cotton textiles, where the South-North differentials have been considerably reduced during the past 55 years, further wage "adjustments" must apparently be made before the industry can approach a "stable equilibrium." [78]

Economists have generally explained geographic wage differentials within a country as temporary "maladjustments" that will be eliminated by "economic forces," such as the migration of industry and labor. Presumably only differences in labor efficiency could explain permanent wage differentials for workers performing the same work under comparable conditions in different localities. The productivity of labor in the South and in the North will be analyzed in a subsequent paper.

[74] General Motors has three scales, one for Detroit, one for a select group of other cities, and a third, which applies to parts of Michigan and other Northern States as well as to the South.

[75] Excluding cotton textiles completely, 11 Southern States (Virginia, North Carolina, Tennessee, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas, and Texas) represented 13.4 percent of the wage earners in manufacturing in this country in 1909, 12.1 percent in 1919, 13.3 percent in 1929, and 14.7 percent in 1939. Including textiles, the percentages were 14.8 percent in 1909, 13.4 percent in 1919, 15.7 percent in 1929, and 17.8 percent in 1939, including a significant increase in the decade from 1929 to 1939.

[76] The relatively low-wage States of Alabama, Mississippi, Georgia, and South Carolina accounted for 34.2 percent of the total wage earners in manufacturing in the 11 Southern States in 1899, compared with 31.7 percent in 1939 (1899 was the high and 30.0 percent in both 1919 and 1935 was the low).

[77] Of the total wage earners in manufacturing in the 11 Southern States, North Carolina's percentage rose from 11.8 percent in 1899 to 13.7 percent in 1914, to 15.5 percent in 1927, and to 19.2 percent in 1939, in spite of a relative decline in her position in cotton textiles after 1921. (See chart 3.)

[78] This was written before the National War Labor Board's decision, released February 21, 1945, in the case involving 23 southern cotton-textile companies.

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STATISTICAL APPENDIX

TABLE V.—*Ratios of southern to northern wages (charts 1 and 4)*

Year	Foundry and machine shop trades	Building trades	Cotton textiles	Farm wages	Blast furnaces	Lumber
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1890	114.3	94.9	59.6	78.1	74.6	71.3
1891	113.1	94.1	58.4	76.1	68.3	73.7
1892	111.9	89.4	55.4		65.5	71.0
1893	110.8	89.1	52.0	71.9	64.3	71.8
1894	114.9	87.9	56.3	72.2	78.7	77.0
1895	113.0	87.9	54.9	69.4	68.4	76.6
1896	112.7	89.9	55.3		68.7	76.0
1897	113.3	90.9	56.6		70.9	76.1
1898	114.3	91.7	58.8	69.9	68.4	73.8
1899	113.9	91.0	58.0	68.5	62.8	70.9
1900	113.0	92.4	53.2		68.7	69.5
1901	112.2	95.0	55.4		67.6	69.1
1902	112.5	93.5	54.6	70.2	68.3	69.0
1903	111.1	95.1	59.7		61.7	68.8
1904	110.9	94.8	62.3		72.1	[1] 69.0 / [2] 89.1
1905	109.8	93.5	64.9		76.0	89.7
1906	109.7	95.2	64.0	77.5	78.5	94.0
1907	113.8 / [3] 106.1	94.8	68.0		75.1 / [4] 70.9	95.1 / [5] 84.9
1908	106.5	94.3	72.3		70.2	[5] 89.3
1909	108.7	95.2	75.3	72.5	71.7	[5] 88.0
1910	107.7	93.4	74.0	73.6	76.8	[6] 79.5
1911	108.0	94.4	74.6	74.1	75.0	78.8
1912	106.5	94.2	72.8	72.8	74.4	80.6
1913	105.4	92.6	72.8	73.2	74.4	81.6
1914	103.4	92.7	72.8	70.4	74.0	
1915	103.1	91.6		69.2	72.7	78.7
1916	102.1	90.3	63.0	68.4		
1917	99.3	86.9		70.6		
1918	105.2	90.9	63.5	72.9		
1919	108.2	93.6		74.4	68.0	76.9
1920	101.3	89.9	78.7	72.9	68.3	
1921	97.7	89.5		67.5		69.3
1922	96.8	92.0	63.7	69.5	74.4	
1923		85.4		64.5		70.7
1924		88.9	60.9	68.3	66.0	
1925		88.2		69.6		75.3
1926		91.7	65.9	69.9	62.5	
1927		89.5		67.5		
1928		85.7	69.3	67.0		71.2
1929		82.9		67.2	58.2	
1930		80.6	70.8	65.5		69.3
1931		80.0		63.0	67.8	
1932		82.5	74.0	62.9		62.3
1933		85.3	[7] 82.0	65.4	[8] 77.5	
1934		86.8	[7] 84.4	68.3		
1935		83.8	82.5	66.7	78.8	
1936		84.2	[9] 82.7	65.5		
1937		84.0	[9] 80.6	64.2		
1938		82.3	[9] 82.0	63.6		
1939		84.8	82.0	66.1		
1940		86.4	83.3	65.7		
1941		88.6	83.4	62.5		
1942		87.9	82.9	63.2		
1943			83.3	61.9		
1944			[10] 83.1	63.3		

[1] Figure calculated on basis of percentage change from 1903 to 1904 according to data in Bulletin No. 59, pp. 43–44.
[2] Not comparable with preceding figures as the number of employees covered in 1904 in both South and North was more than double the number in 1903.
[3] Shift from average hourly earnings to average of union wage rates.
[4] A change in occupational basis from 1907 on. See explanation.
[5] Based on laborers only.
[6] Basis of calculation different from 1910 on. See explanation.
[7] August.
[8] Average of data for first and second half of March.
[9] Averages for last 6 months of 1936, first 6 months of 1937, and last 6 months of 1938.
[10] Average for first 9 months.

TABLE VI.—*Other southern textile States compared with North Carolina (chart 3)*

Year	Cotton textile wages	Farm wages	Year	Cotton textile wages	Farm wages
	Percent	*Percent*		*Percent*	*Percent*
1890	94.5	104.0	1912	102.0	92.1
1891	92.0	102.1	1913	100.5	90.7
1892	88.4		1914	93.3	84.6
1893	91.7	95.1	1915		84.1
1894	100.1	94.2	1916	97.9	82.4
1895	102.2	90.2	1917		83.1
1896	96.4		1918	91.7	82.3
1897	100.0		1919		84.3
1898	100.0	90.4	1920	83.2	91.0
1899	98.3	89.1	1921		75.6
1900	101.2		1922	81.8	69.7
1901	105.4		1923		72.7
1902	107.8	89.5	1924	81.5	72.0
1903	112.0		1925		73.2
1904	96.3		1926	89.9	76.2
1905	97.1		1927		78.8
1906	[1] 99.2	94.8 / [2] 98.2	1928	88.1	73.8
1907	105.2		1929		73.5
1908	106.3		1930	89.1	78.5
1909	103.7	91.5	1931		72.5
1910	104.4	95.1	1932	92.3	74.5
1911	102.9	93.6			

[1] Alabama added to South Carolina and Georgia. Without Alabama the 1906 figure is 99.04 compared with 99.18 including Alabama.
[2] Alabama added to South Carolina and Georgia.

TABLE VII.—*South-United States furniture wage ratios* [1] *(chart 5)*

Date	Average wage rates	Average hourly earnings	Date	Average wage rates	Average hourly earnings
	Percent	*Percent*		*Percent*	*Percent*
1929	68.0	65.9	July 1938	66.7	67.6
1931	70.6	65.5	Feb. 1939	66.9	68.6
1933	77.7		Nov. 1939	68.7	69.8
1934	83.7		July 1940	67.3	60.1
Aug. 1935	81.9		Jan. 1941	67.0	70.5
Sept. 1936	78.1		Nov. 1941	72.0	76.1
Jan. 1937	74.0	75.8	May 1942	70.3	73.5
July 1937	70.9	71.9	Nov. 1942	68.4	73.8
Oct. 1937		66.9	Jan. 1944	64.7	60.0

[1] Southern averages from wage-rate and earnings surveys made by the Southern Furniture Manufacturers' Association, except for October 1937, which is based on data in U. S. Bureau of Labor Statistics Bulletin No. 669, 1940, p. 29. Average hourly earnings of the furniture industry as a whole have been used as the base for both the wage-rate and the hourly-earnings ratios. These data for the United States have been taken from U. S. Bureau of Labor Statistics Bulletin No. 669, 1940, pp. 19, 20; and, after 1938, from issues of the Monthly Labor Review under "Trend of Employment and Pay rolls."

APPENDIX

EXPLANATION OF STATISTICAL SERIES

Foundry and machine-shop trades.—Based on average hourly earnings (1890–1907) and union wage scales (1907–22) for blacksmiths, boilermakers, machinists, and iron molders. Data for the following cities were used: For blacksmiths (North: Buffalo, Chicago, Indianapolis, and Pittsburgh; South: Atlanta, Charleston, Memphis, and New Orleans); for boilermakers (North: Boston, Bridgeport with Providence and Philadelphia substituted in 1907 and 1913, respectively, Chicago, and Indianapolis; South: Atlanta, Memphis, Mobile with Birmingham substituted 1905 on, and New Orleans); for machinsits (North: Buffalo, Cincinnati, Milwaukee, Newark, and Philadelphia; South: Atlanta, Dallas with Houston substituted 1916 on, Nashville with Memphis substituted 1907 on, New Orleans, and Richmond); and for iron molders (North: Boston, Indianapolis, Pittsburgh, and Providence; South: Atlanta, Memphis, Mobile with Birmingham substituted 1905 on, and New Orleans).

The selection of southern cities was governed by the availability of data for the city each year from 1890 to 1922. Northern cities were selected on the basis of geographical distribution, size, and availability of continuous data for the period. Many southern and northern cities had to be discarded for lack of continuous data. Whenever it was necessary to substitute another city, care was taken to make certain that the wage for both cities was identical or approximately the same for the preceding year.

There is a shift from an hourly earnings to wage-rate basis in 1907. The difference for that year is indicated in the table. The data since 1907 are for the middle of each year.

In calculating the North-South ratios, a ratio for each trade was calculated separately from simple averages for all cities and then a simple average of the ratios for the 4 trades was used to derive the combined figure.

Sources of data: Listed p. 274 of Bulletin No. 604, U. S. Bureau of Labor Statistics, 1934.

Building trades.—Based on average hourly earnings (1890–1907) and union wage scales (1907–42) for bricklayers, carpenters, plasterers, and plumbers. Data for the following cities were used: For bricklayers (North: Buffalo, Cleveland, Detroit, Indianapolis, Newark, Milwaukee, and Providence; South: Atlanta, Charleston, Houston with Dallas substituted 1907 on, Jacksonville, Memphis, New Orleans, and Richmond); for plasterers (North: Buffalo, Cleveland, Indianapolis, Milwaukee, and Providence; South: Birmingham, Charleston, Jacksonville, Memphis, and New Orleans); and for plumbers (North: Buffalo, Cleveland, Indianapolis. Milwaukee, and Newark; South: Dallas, Memphis, New Orleans, and Richmond).

The basis for selection of cities and the methods of calculation were the same as for the foundry and machine-shop trades. The figure for 1907 was 94.8 on either an hourly-earnings basis or a wage-rate basis. Since 1907 the data are for the middle of each year. (Sources of data: Those listed page 153 of Bulletin No. 604, United States Bureau of Labor Statistics, plus Bulletins 515, 566, 626, 657, 674, 680, and 730, and Monthly Labor Review, September 1932, page 638, September 1933, page 662, and November 1935, page 1169.)

Cotton textiles.—Based on average hourly earnings for loom fixers, weavers (male), weavers (female), and frame spinners (female) for 4 northern States (Massachusetts, New Hampshire, Rhode Island, and Maine) and 4 southern States (North Carolina, South Carolina, Georgia, and Alabama) for the years 1890 to 1913. Each State was weighted by the number of employees reporting and a ratio of the South in percentage of the North was calculated for each of the four occupational categories, which in turn were combined into a simple average. Data for Alabama was available only after 1903. Sources of data are indicated on page 363 of United States Bureau of Labor Statistics Bulletin No. 604.

For the period 1913 to 1928, use has been made of the North-South ratios presented by A. Ford Hinrichs and based on weighted averages for all occupations. It was necessary to convert his figures to the South as a percentage of the North. Source: Monthly Labor Review, May 1935, page 1173.

For the period 1928 to July 1937 use has been made of North-South ratios also presented by Dr. Hinrichs and based on unweighted averages for all occupations. Source: United States Bureau of Labor Statistics Bulletin No. 663, 1938, page 72.

From July 1938 on, use was made of the monthly statistics of average hourly earnings in the cotton-goods industry reported by the Bureau of Labor Statistics for Northern and for Southern States. A South-North ratio was calculated for each month, from which simple averages for 6 months or a year were computed.

The shifts in 1913 and 1928 had practically no effect upon the level of the ratios. In 1913 the four occupations' ratio and the Hinrichs' figure both stood at 72.8. The average of the four occupations' series from 1914 through 1926 was 67.0 compared with 66.9 for Hinrichs' weighted series. For 1928 the four occupations' series was 69.5, Hinrichs' weighted series was 69.6, and his unweighted series was 69 3. The next five figures in each series (1930 to August 1934) averaged 77.5, 79.1, and 77.1, respectively.

Use of gross average hourly earnings rather than straight-time average hourly earnings makes little difference in the ratios. For example, straight-time average hourly earnings figures computed by the Bureau of Labor Statistics give the following results: 83.5 for 1941, 84.0 for 1942, and 82.0 for 1943.

Farm wages.—Computed by dividing the simple average for 10 Southern States (Tennessee, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Arkansas) by the average for the United States as a whole for two items, "wage rates of farm labor per month without board" and "wage rates of farm labor per day without board." The monthly and daily series were then combined by simple averaging. After 1922 the July figure was used for the monthly data and the October figure for the daily series.

Sources of data: Farm Wage Rates, Farm Employment and Related Data, United States Department of Agriculture, Bureau of Agricultural Economics, January 1943, and Farm Labor, United States Department of Agriculture, July 14 and October 13, 1944.

Blast furnaces.—Based on average hourly earnings for two occupations, keepers and top fillers (1890–1907) and skip operators (1907–35). A ratio was calculated for each occupation, South Central region in percentage of North Central region (1890–1907) and Southern district in percentage of Great Lakes and Middle West district (1907–35). The two series were combined by simple averaging. Since 1907 the data are for a pay-roll period in the first half of each year, usually in March, April, or May.

Sources of data: Those listed page 238 of United States Bureau of Labor Statistics Bulletin No. 604, plus Bulletin No. 567, Bulletin 604, page 544, and Monthly Labor Review, April 1936, page 1034.

Lumber.—Based on average hourly earnings for band sawyers, edgermen, and laborers in representative sawmills. Separate ratios for each of the three occupational categories were combined by simple averaging. For the period from 1890 to 1907 the ratios were calculated as follows: Edgermen and laborers, the weighted average of south-Atlantic and south-central regions divided by the average for the north-central region; band sawyers, the average for the south-central region divided by the average for the north-central region. For the period from 1910 to 1932, the simple average for six Southern States (Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas) was divided by the simple average for six Northern States (Maine, Michigan, Wisconsin, Minnesota, Oregon, and Washington) in each of the three occupational categories, and the resulting three ratio series were combined by simple averaging. Inclusion of far Western States with high wages causes this 1910–32 series to be on a somewhat lower level than the 1890–1907 series. Data for the intervening years (1907–10) between the two series were available only for laborers in five Southern States (Alabama, Florida, North Carolina, South Carolina, and Tennessee) and five of the six Northern States. A series was calculated for laborers for the years 1907 to 1910 and was converted to the 1910 figure for the combined three-occupational series. Since 1910 the data are for the middle of each year in which they were collected, except for 1919 and 1921 when they were scattered over a large number of months.

Sources of data: Those listed page 455 in United States Bureau of Labor Statistics Bulletin No. 604, plus Bulletins Nos. 560 and 586.

Southern textile States compared with North Carolina.—The textile and farm wage ratios, in percentage of North Carolina figures, are simple averages of the textile and farm wage ratios for each of the three States (South Carolina, Georgia, and Alabama). The individual State ratios were computed from simple averages of the hourly earnings averages for the four occupational groups (loom fixers, male weavers, female weavers, and female frame spinners) in each State, divided by similar averages for North Carolina. In the case of farm wages, the individual State ratios are simple averages of ratios (the State in percentage of North Carolina) for wage rates of farm labor per month without board and wage rates of farm labor per day without board. Beginning with 1923, the July monthly figures and the October daily figures were used in calculating the ratios.

EXHIBIT 81

TEXTILE WORKERS UNION OF AMERICA,
AFFILIATE OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS,
New York, N. Y., October 27, 1945.

Mr. CHARLES KRAMER,
Senate Committee on Wage and Hour Law,
Senate Office Building, Washington, D. C.

DEAR MR. KRAMER: Enclosed you will find the following materials which I request that you place in the record:

1. "Wage increases do not mean price increases," a copy of which I gave you.

2. A list of the references referred to as appendixes. I discussed the matter with you, and we agreed it would be necessary to file all of the appendixes in the record. I thought it would be wise to make the references clear so that persons desiring to identify them may be able to do so.

3. Statements of the United States Employment Service concerning the problem of the difficulties of reconversion and placing workers at the present time.

4. A copy of Mr. McDermott's statement, which should be added to the record.

Very truly yours,

SOLOMON BARKIN.

WAGE INCREASES DO NOT MEAN PRICE INCREASES

(By Solomon Barkin, chairman, CIO Committee on Revision of Wage and Hour Law, October 18, 1934)

Wage increases do not mean price or cost increases. Current wage rises will generally require no price adjustments. Moreover they themselves will provide the base for lower costs. Unless these higher minima, such as are proposed, are established, we shall reduce and threaten the possibilities for postwar prosperity and full employment.

We have had an economy of $160,000,000,000. It is fast slipping through our hands. We must save it by a bold wage program which will guarantee higher wages.

The basic reasons for believing that no price increases are required to shoulder the proposed 65-cent minimum have already been summarized in our basic statement.

1. Prices are not set by cost; they are set to secure the greatest profit. Many of them now provide sufficient margin to absorb both the proposed wage adjustments and greater ones.

2. The profits in American industry are stupendous. In 1944 they amounted to $25,000,000,000 before taxes and $10,000,000,000 after taxes. These allow for vast profit margins within which to absorb wage increases.

3. Labor cost is so insignificant in many industries, amounting to less than 10 percent of the value of the product, that it can be absorbed without affecting material cost.

4. Costs are not fixed; they are dynamic. During the war tremendous strides were made in man-hour output. Management has learned many new techniques of production. They are applying them in their peacetime industry. The experience of World War I will be repeated. During the next 3 years man-hour output may well increase at the rate of 10 percent per year. Management will offset these wage increases by greater attentiveness to its own production processes so that it will overcome the costs and probably reduce the unit costs even below those previously existing. Industry after industry has repeated the experience. It is the keystone of American manufacturing progress. It is the basis for our export trade. The highest paid American industries are in the best position to export goods to the lowest wage countries.

5. The higher paid worker is the most efficient worker.

6. Large volume is essential to low cost. Without high wages there cannot be a market equal to the productive capacity of industry. Characteristic American industry makes its greatest profit at high capacity operation. It sets its normal profit rates on the assumption of low operating rates. By assuring an adequate market for capacity production through high wages, American industry is guaranteeing itself a consumer, low unit costs, and corresponding higher total profits. High operations permit higher wages.

7. Current reductions in labor costs through elimination of overtime pay, higher earnings in vacation pay calculations, down grading, lower incentive yields, more careful labor selection and supervision, and a steadier work force will allow industry to increase wages without any effect on costs.

8. Higher wages stimulate better labor relations and lay the foundation for labor-management cooperation, which can result in the introduction of vast economies.

MEMORANDUM NO. 1

High wages are key to low unit costs

Unit costs are not fixed. They are amenable to control and to reduction. The key to American industrial advance is that volume reduces costs. The greater the overhead the wider are the possibilities for reducing unit costs by increasing volume. The more fully equipment is used the less is charged to each item of production; the lower are the unit costs of production.

Large volume permits the transference from a custom-manufacturing process to mass-production methods with corresponding marked reduction in cost per unit. During the war there were innumerable illustrations of this tendency. Whole articles were mass produced and operations and parts which required careful hand work were transferred to a mass-production basis. This principle provides the clue to the most significant reductions in prices of munitions during the years from 1942 to 1944 wherein there was a 19-percent decline in munition prices.

The large profits of the last few years were in no small part the result of large volume. The prices of manufactured goods nominally rose only 25 percent from 1939 through 1944. Munition prices declined only 19 percent. Even if one takes cognizance of the numerous devious, thoroughly legal methods of achieving higher prices, while maintaining the same nominal quotations, these prices could not in themselves explain the high profits of manufacturing industries. It may be attributed in no small part to the volume of sales. Manufacturing profits rose from $3,000,000,000 in 1939, to $10,000,000,000 in 1941, to $14,500,000,000 in 1943, to $15,000,000,000 in 1944 (table I).

Profits of corporations rose while the returns on each dollar of sales declined. A survey of the profits of American corporations from 1936 through 1944 shows a constantly rising total volume of profits before taxes even though the profits per dollar of sales dropped. The expansion in the total volume of sales offset the decline in per-unit profit, resulting in a greater total profit (table II).

Profits must come from volume in an economy of full employment. An industry which restricts its production and seeks to maximize its profits at a lower volume is engaging in monopolistic practices. It is definitely threatenig the possibilities of a successful prvate enterprise economy. Managements which remain satisfied with high unit profits and low volume are selling America short.

Americans have learned this lesson. Many industries practice it, but others have only given nodding acquiescence to this principle. We have proven the validity of the conclusion. We must practice it less begrudgingly than we have in the past.

We can no longer tolerate management practices which set their sights low. They calculate their costs and measure their ability to pay wages on the assumption of low production. They are hedging against an era of low industrial activity. An industry which faces the future guardedly will produce an economy of underemployment and inadequate use of our resources. It defies the congressional promise of full employment. Such calculations will underestimate industry's ability to pay high wages, induce low operating rates, and an economy of limited opportunity.

American industry has hitherto set its sights lower than it should. It protected itself against declining volume by setting its prices in terms of low operating levels. The break-even points in American industry have been significantly lower than their average output and much lower than their maximum output as indicated by several studies of significant American corporations. The United States Steel Corp. had break-even points in the year from 1902 to 1910 of 22 percent of maximum receipts actually obtained during the period; and from 1919–27 of 45 percent; in the period of 1929 through 1943, the average break-even point was 43 percent of capacity. Profits beyond those levels rose very markedly. In the automobile industry, the break-even point for the period from 1928–34 was 57 percent of maximum volume attained (table III). American industry during this prewar period was therefore generally able to pay even higher wages by raising its sights. By lifting its break-even points and trying to reach even higher capacity its ability to pay higher wages would have been more quickly acknowledged.

Unfortunately, American industry is going into the postwar period with the same deliberate effort to hedge against low operating rates. This fact is convincingly illustrated by the replies of some 65 industries to the War Production Board concerning the volume of peacetime operations which would represent capacity production and the break-even level. These estimates are likely to represent higher break-even points than actually are existing since the replies were included to determine the allocation of new equipment and tools and certifications for new construction. In any event the over-all break-even point reported was 52 percent for industries with capacity production of some $10,000,000,000 (table IV). Some break-even points were as low as 20 percent.

These industries with low break-even points could immediately raise their ability to pay higher wages by lifting their break-even points instead of proceeding on thoroughly pessimistic calculations and the presumption of a postwar collapse.

The capacity of American industry to meet the proposed wage adjustment must therefore be tested in terms of the volume of production which they will enjoy. The larger the volume, the more fully they utilize their capacity, the better able they will be to meet increases in wages, because units costs decline with volume. The sharp increase in industry's capacity to pay these increases in wages on the basis of a large market makes it imperative to assure such a market. Volume is the single most important determinant of total profits. Higher wages are the most significant factor in broadening the market.

Two recent calculations of the increased capacity of industry to pay the higher wages with rising utilization of capacity are available for the iron and steel and the automobile industries. The break-even point for the United States Steel Corp. in 1943, assuming the entire cost of wages which include overtime and upgrading ($1.124) and 1943 prices was 12,000,000 tons or 52 percent of capacity. To yield 1936–39 profits, the industry was only required to produce some 15,100,000 tons. While producing at 75 percent capacity, or 17,250,000 tons which is approximately the current rate of operations, the company would earn $120,000,000, and at 90 percent, or 20,700,000 tons, it would earn $210,000,000. If the workers were granted a wage increase of 17 cents an hour, which was proposed in 1944, the industry without any price increases would have been able at 75 percent operating capacity to have absorbed the increase and earned a profit of $34,000,000, and at 90 percent capacity have earned $113,000,000 (table V).

The iron and steel industry is certainly assured a better than 75-percent operating capacity for some time to come. Moreover, there are various offsetting facts, such as the elimination of the cost of overtime and upgrading, which would have brought the break-even point down to 53 percent and permitted profits of $115,000,000 at 75 percent capacity and $204,000,000 at 90 percent capacity. High-capacity operation is most significant in determining profits and the company's ability to pay. Higher national labor income will assure the market.

A similar study by the same investigator for the automobile industry arrives at very similar conclusions, on the basis of current wage earnings which include overtime pay and upgrading and generous incentive premiums and current price levels. The investigator finds that the industry would break even even if it is operating at less than 15 percent of capacity (table VI). At operations of one-sixth of capacity during the first year, 1,000,000 passenger cars, it would earn $89,000,000, at one-half of capacity it would earn $45,000,000. To secure 1936–39 profits it would only have to produce 2.5 million cars. After it has been tooled up for production and gotten under way, the opportunities for profits at high levels of production are even more startling. At one-half of capacity producing 3,000,000 cars, it would make $596,000,000; at full capacity, producing 6,000,000 cars, it would earn $1,512,000; and we are all looking to such full production.

It is very obvious from the above, industry is able to pay the proposed 65 cents minimum and 75 cents minimum with considerable ease. Their cost calculations are not fixed. Their ability is not to be determined in terms of their estimated costs based on assumptions of low operating rates. Rather, we must get industry to develop its own markets through higher wages. Higher labor incomes increase industry's markets, increase its volume, and drive its costs down. With increased volume produced by higher incomes in the hands of the workers of this country, we can be assured of industry's ability to pay higher wages. The first step in assuring ability is to increase the market. Higher wages is the best guaranty. It is the investment which industry makes to assure high purchasing power. The investment can pay high dividends in high rates of output, high profits, and create ability to pay even higher wages.

This course has been the American secret of successful industrial operations. We must apply our lesson even more deliberately and proceed more consciously toward increasing our market and raising the level of operations in industry. They reduce costs, increase ability to raise wages, and lift total profits. Higher wages produce the larger markets. The present bill is the significant key to full employment economy.

TABLE I.—*Production, prices, hourly earnings, and profits, 1939–44*

Year	Industrial production	Prices on manufactured goods	Munitions	Hourly earnings in the manufacturing industries	Profit in manufacturing industries
1939	100	100		$0.622	$3,213,000,000
1940	115	104		.644	4,944,000,000
1941	149	111		.664	9,937,000,000
1942	183	123	104	.762	12,994,000,000
1943	219	125	94	.859	14,573,000,000
1944	216	125	85	.931	15,000,000,000

Source: Industrial Production, Federal Reserve Board; Prices on Manufactured Goods, Bureau of Labor Statistics. Munitions; War Production Board.

TABLE II.—*Profit experience of American industry, 1936–44*

A. 2,187 INDUSTRIAL CORPORATIONS

Year	Sales	Index rise	Net profit before taxes	Index rise	Percentage profit of net sales	Return on net worth
					Percent	*Percent*
1936–39	$35,227,232,000	100.0	$2,958,332,000	100.0	8.4	9.8
1939	35,958,500,000	102.0	3,062,469,000	104.0	8.5	10.0
1940	40,689,391,000	116.0	4,331,675,000	146.0	10.6	13.8
1941	55,340,639,000	157.0	7,660,376,000	259.0	13.8	23.5
1942	69,220,936,000	196.0	8,890,234,000	300.0	12.8	26.0

B. 1,676 INDUSTRIAL CORPORATIONS

1942	$55,563,357,000	100.0	$6,697,003,000	100.0	12.1	24.5
1943	68,850,358,000	123.9	8,011,432,000	119.6	11.6	28.0

C. HALF-YEAR EXPERIENCE OF 966 CORPORATIONS

1939–41	$11,397,659,000	100.0	$1,405,417,000	100.0	12.3	10.3
1942	15,414,932,000	135.0	2,064,892,000	147.0	13.4	9.4
1943	19,755,817,000	173.0	2,569,622,000	183.0	13.0	10.5
1944	22,050,026,000	193.0	2,597,584,000	185.0	11.8	9.4

Source: Office of Price Administration, Division of Research and Financial Analysis, War Profits Studies 10, 11, and 12.

TABLE III.—*Break-even points for significant American corporations (prewar)*

Company	Period	Break-even point (volume million dollars)	Maximum volume			Profit equation
			Year	Amount (millions)	Percent above break-even point	
General Motors	1929–36	$447.0	1936	$1,439.3	222.0	23½ percent of net sales, $105,000,000.
Packard Motors	1918–34	35.3	1929	107.5	204.5	36.8 percent of net sales, $13,000,000.
Chrysler Motors	1929–35	227.3	1936	667.1	193.5	11 percent of net sales, $25,000,000.
Automobile industry	1928–34	862.0	1930	1,500.0	74.0	22 percent of net sales, $190,000,000.
United States Steel Corp	1902–10	[1] 166.0	1907	757.0	356.0	24 percent of gross receipts, $40,000,000.
Do	1919–27	[1] 790.0	1920	1,755.5	122.2	20 percent of gross receipts, $158,000,000.
Equitable Office Bldg	1924–35	3.1	1931	6.4	106.5	74 percent of income, $2,300,000.
Westinghouse	1907–18	27.0	1916	96.0	255.6	20 percent of sales, $6,000,000.
Do	1919–29	61.0	1929	216.0	154.0	13 percent of sales, $8,000,000.

[1] After interest charges.

Source: Walter Rautenstrauch, The Economics of Business Enterprise.

TABLE IV.—*Postwar break-even rates for 65 industries reported by management to War Production Board*

Break-even production in percent of capacity production	Number of industries	Industries
90 to 100	1	Barber and beauty appliances.
80 to 89	3	Wood furniture, commercial dishwashing machines, laundry equipment.
70 to 79	10	Clocks and watches (nonjewel), lawn mowers, pianos, cast-iron boilers, cast-iron sanitary enameled ware, commercial cooking equipment (nonelectric), surface heating equipment, floor machines, motion-picture equipment (35 mm.), scales and balances.
60 to 69	21	Small electric appliances, electric fans, sealed-beam lamps, photo equipment, domestic vacuum cleaners, tobacco machinery, gas and oil water heaters, domestic cooking and heating stoves, electric water heaters, industrial gas burners, heating controls and specialties, indirect water heaters, mechanical stokers, oil burners, range boilers and storage tanks, steel septic tanks, warm-air distribution equipment, warm-air furnaces, coal and wood water heaters, printing machinery, office machinery.
50 to 59	16	Passenger autos, band instruments, bicycles, metal caskets, clocks and watches (jeweled), flatware, flashlight cases, fishing tackle, cooking utensils, beverage machinery, refrigeration and air-conditioning equipment, sugar-processing machinery, cast-iron soil pipe, fabricated pipe, high-pressure boilers, vitreous and porcelain plumbing fixtures.
40 to 49	4	Bedding, domestic electric ranges, cash registers, typewriters.
30 to 39	7	Metal household furniture, metal office furniture, domestic mechanical refrigerators, domestic sewing machines, cast-iron radiators, low-pressure boilers, plumbing fixtures and fittings (brass specialties).
20 to 29	3	Power cycles, domestic laundry equipment, formed steel sanitary ware.
Total	64	

Source: WPB release No. 7996, May 16, 1945.

TABLE V.—*Profits before Federal income taxes in 1946, at various levels of production and labor rate assumptions, and 1943 material prices*

	1943 average home earnings		1943 earnings including 17 cents increase	
	Including overtime and upgrading $1.124	Exclusive of overtime and upgrading $0.965	Including overtime and upgrading $1.294	Exclusive of overtime and upgrading $1.135
1. Break-even point, millions of tons [1]	12.0	9.1	15.6	12.2
Percent of capacity [1]	52	39	68	53
Percent change from average break-even point (1929–43=41 percent capacity) [1]	+268	−4.9	65.9	29.3
2. Profits before Federal income tax:				
At 25 percent capacity, 5.75 million tons	[2] 98	[2] 64	[2] 135	[2] 101
At 50 percent capacity, 11.50 million tons	[2] 10	51	[2] 75	[2] 14
At 75 percent capacity, 17.25 million tons	120	201	34	115
At 90 percent capacity, 20.70 million tons	210	301	113	204
3. Production level required in 1945 to yield average 1936–39 profits of $66,200,000	15.1	12.1	18.8	15.2
4. Average production of period 1936–39 of 11.25 million tons would yield profits of (millions dollars)	[2] 18	41	[2] 81	[2] 22

[1] 1943 material prices.
[2] Deficit.

Source: OPA Division of Research, steel-industry prices, profits, and costs, August 1944.

TABLE VI.—*Automobile industry profits at assumed levels of production for current unit material costs and current hourly earnings ($1.314) and October 1941 prices*

Profits before Federal income taxes at—	First reconversion year (million)	Second reconversion year (million)
5,000,000 pounds (1,000,000 passenger cars) 1/6 of capacity	89	152
10,000,000 pounds, 1/3 of capacity	243	353
15,000,000 pounds, 1/2 of capacity	451	596
20,000,000 pounds, 2/3 of capacity	----------	873
25,000,000 pounds, 5/6 of capacity	----------	1,180
30,000,000 pounds, full capacity	----------	1,512
Production level required to yield average 1936–39 profits of 335,500,000 (billion pounds)	12.5	9.8
Profits at average 1936–39 production of 13,900,000,000 pounds (millions of dollars)	398	530
Break-even point (billion pounds)	[1]	[1]

[1] Less than 5.

Source: H. W. Wein and J. Harry Edmonston, Postwar Prices, Profits, and Costs in the Automobile Industry.

LIST OF APPENDIXES (REFERENCES)

Appendix A: Report of the President's Committee of Industrial Analysis to the President of the United States, February 17, 1937, chapter VIII, Regulation of Wages (filed) and Staff Studies on NRA Experience With Labor Provisions, chapters XIII, XIV, and XV (Archive).
Appendix B: Labor and the Codified Construction Industry Under the NRA (building-trades department of the American Federation of Labor).
Appendix C: Collective Bargaining and Section 7 (b) of NIRA, by Solomon Barkin (annals of the American Academy of Political and Social Sciences, March 1936).
Appendix D: Text of cotton-rayon textile decision (filed).
Appendix E: Southern commission peg rates.
Appendix F: Article by L. Hamburger on The Extension of Collective Agreements to Cover Entire Trades and Industries (International Labor Review, August 1939).
Appendix G: Copy of wages council bill.

DEPARTMENT OF LABOR

UNITED STATES EMPLOYMENT SERVICE

NEW YORK STATE

LABOR MARKET LETTER [1]

While USES experience shows that many workers are taking available jobs difficulties have developed in finding suitable employment for thousands of others. Some of the more important types of difficulty are: (1) Occupational skills of workers released from war plants do not match the specifications of openings. A large proportion of the openings are for beginners. (2) Wages offered are, in many instances, substantially below war-plant base rates, not to mention overtime. Wage rates for over 84,000 openings on file with the USES early in September were distributed about as follows: (*a*) under 40 cents—less than 1 percent; (*b*) 40 cents and under 50 cents—2 percent; 50 cents and under 75 cents—66 percent; 75 cents and over—31 percent. (3) Employers have tightened up on specifications, making it more difficult for marginal workers, especially women, young people, and oldsters, to be acceptable. (4) Physical qualifications of war workers, many of whom came from trade and service jobs, from homes and schools, often do not match employer needs. Consequently, there are many unfilled jobs in heavy industry.

One hundred and fifty-four thousand openings since VJ-day.—The prospects in the area would not be regarded as altogether unfavorable if the sheer volume of new orders received since VJ-day were a satisfactory indicator of employment opportunities. New job openings received by the United States Employment Service between August 17 and October 5 numbered about 154,000. As of the latter date there were still 55,000 unfilled job openings.

Lower wage rates and earnings impede placement.—The chief reasons why all jobs cannot be filled are: (1) An inadequate number of work opportunities requiring the level of skill attained by the majority of the job seekers. (2) More exacting occupational specifications by employers. (3) The desire to personally explore employment opportunities. (4) Unattractive wage rates.

The placements in September of 400 inspectors, machine-tool operators, assemblers, unskilled workers, equally divided among men and women, were analyzed to find out how wage rates and weekly earnings on new jobs compared with former war jobs.

Analysis disclosed a 12.6 percent cut in average hourly rates on the new jobs for the 400 persons. For the women the average reduction was greater, averaging 15.6 percent as against 10.4 percent for the men. Among men, the largest proportional wage cuts were sustained by those formerly earning 90 cents to $1.09 per hour. On the average they received 15 percent less per hour on their new jobs. The smallest proportionate decrease, of 3.5 percent, was sustained by men formerly earning 75 cents to 89 cents per hour. Men who had formerly earned $1.10 or more per hour suffered a 12-percent cut.

Among women the percentage decline in hourly rates was highest among those who had formerly received $1.10 to $1.24 per hour and lowest among those in the 60- to 74-cent group. The high-wage group averaged a 34-percent cut in wages, while the low-wage group averaged a 9.6-percent loss.

Weekly earnings decline from 22 to 49 percent.—These reductions represented far sharper losses in weekly earnings due to the reduction in hours worked. On the basis of a former 48-hour and a current 40-hour week, the weekly take-home pay went down from 22.5 percent to 34.6 percent for men and from 30.5 percent to 49.2 percent for women, as shown in the table.

Ample labor supply.—If matching men and job openings were a simple mathematical procedure, employers would find ample supplies of labor in nearly all occupations. There are two obstacles to speedier employment gains: dissatisfaction with wage rates and earnings, and the necessity to reconvert to peacetime skills, which requires a psychological adjustment on the part of the worker, since it frequently involves acceptance of a lower-paid skill.

In USES industrial offices there are large numbers of semiskilled machine operators, assemblers, inspectors, lens grinders and polishers, wirers and solderers, factory helpers and laborers, truck drivers and helpers, food workers. In the service offices there are substantial numbers of porters, cleaning women, unskilled kitchen workers, counter men and women, guards.

[1] Vol. I, No. 3, October 1945.

In the commercial office there are many general clerical workers, accounting and pay-roll clerks. In the professional and sales office there are adequate supplies of tool designers, draftsmen, production servicemen, estimators, purchasing agents, time-study men, industrial engineers, radio technicians, outside salesmen.

In the shipbuilding and construction offices there are substantial numbers of welders, burners, carpenters, painters, electricians, sheet-metal workers, operating engineers, bricklayers, plasterers, laborers.

Hourly wage range	Average weekly earnings		Average hourly earnings	Percent decrease in new job
	Former job (48 hours)	New job (40 hours)		
	Men			
60 to 74 cents	$34.58	$26.80	$0.67	−22.5
75 to 89 cents	42.02	31.20	.78	−25.7
90 cents to $1.09	52.78	34.52	.863	−34.6
$1.10 to $1.24	60.74	41.04	1.260	−32.4
$1.25 and up	69.58	46.72	1.168	−32.9
	Women			
60 to 74 cents	$33.96	$23.60	$0.590	−30.5
75 to 89 cents	41.13	26.40	.620	−35.8
90 cents to $1.09	49.24	26.80	.640	−45.6
$1.10 to $1.24	58.24	29.60	.740	−49.2

LABOR MARKET CONDITIONS IN SELECTED AREAS FOLLOWING JAPANESE SURRENDER (AS OF SEPTEMBER 7, 1945)

SUMMARY [1]

The United States Employment Service continued to report a substantial number of job openings listed with the local employment office, principally in wholesale and retail trade, service activities, construction, and such other manufacturing as food processing, textiles, and apparel. It should be noted, however, that many of the job openings are at wage rates which do not compare favorably with war industry wage rates or the rates normally found in the heavy manufacturing industries now undergoing reconversion. Nationally, approximately 60 percent of job openings listed with the United States Employment Service offices are at hourly wage rates below 75 cents, with a significant number below 50 cents. Moreover, in States such as Michigan, which experienced extremely large releases of workers since the Japanese surrender, the United States Employment Service local office unfilled openings are relatively few.

The sharp drop in the number of workers released in the preceding week continued during the last week. Reports from 134 labor-market areas show that only 220,000 workers have been laid off from war employment in the week ending September 7. On the basis of these reports, it is estimated that approximately 270,000 lay-offs occurred throughout the country during the past week as against some 300,000 for the week ending August 31 and 1,800,000 for the week ending August 24. It must be emphasized that these lay-offs represent, by and large, releases of workers from establishments which were engaged in war production and do not take into account retirements from the labor force or the extent of absorption of displaced workers by expanding industries. In some areas there has been a considerable rehiring of workers laid off since the Japanese surrender. This is particularly true in the New England States, where the number of workers now being rehired is in excess of those being released. Based on preliminary unemployment-compensation reports, the over-all number of unemployment-compensation claimants has not changed appreciably from the preceding week's total of a little over 1,000,000.

[1] Reports and Analysis Division, War-Manpower Commission, September 12, 1945.

The 134 areas have been selected to include all areas with a central city or cities of 75,000 population; and, in addition, a number of smaller areas were included in order to insure reasonable geographic and industrial coverage for all sections of the country. These areas accounted for more than 80 percent of all the employment in munitions industries prior to the Japanese surrender and for about 70,000,000 of the Nation's 127,000,000 civilian population.

The distribution of lay-offs, by areas, has changed considerably from the preceding week. Whereas the Seattle-Bremerton, Wash., area reported last week a release of 23,700 workers, the largest of any area, only 4,500 were reported for the preceding week. Other areas with lay-offs in excess of 10,000 are Los Angeles, Calif., 18,900 as against 14,000 in the preceding week; Detroit, Mich., 21,000 as compared with 15,000; New York area, 22,000 as against 30,000.

Releases this week have been relatively greater in the large metropolitan areas. Of the total lay-offs, three-fourths occurred in areas with a population of 500,000 or more, whereas last week these areas accounted for about two-thirds. These areas represent about two-thirds of the population in the 134 areas.

Both relatively and absolutely the New England States had the smallest number of workers released, with only 4,200 being displaced, or about one-half of the preceding week's figure, with most of the lay-offs occurring in Massachusetts and Rhode Island. In the Mid-Atlantic States, 47,000 workers were displaced, or a reduction of 15,000 from the preceding week's total; 8 areas in New York State accounted for 27,000 of this total; 8 areas in Pennsylvania and 5 areas in New Jersey for 10,000 and 11,000, respectively.

The East-North-Central States released 53,400 workers, or approximately the same number as in the preceding week, with 7 areas in Michigan displacing 24,300; 6 areas in Illinois, 8,000; 7 areas in Indiana, 7,200; 8 areas in Ohio, 11,600; and 3 areas in Wisconsin, 2,200. Lay-offs in the West-North-Central States totaled 14,400, or about 3,500 less than in the preceding week, with 3 areas in Missouri releasing 4,900; 2 in Minnesota, 3,900; and 1 in Kansas (Wichita), 3,500.

The releases in the Southern States dropped by about 12,500 to 40,800, with 1 area in Kentucky (Louisville) releasing 4,900; the District of Columbia, 4,500; 2 areas in Virginia, 4,000; 4 areas in West Virginia, 3,500; 4 areas in Tennessee, 3,900; and 7 areas in Texas, 4,700.

Only in the Western States did the number of workers released last week exceed the previous week's figure. As a group, these States released 65,000 workers, the largest number of any region and an increase of 27,000 over the preceding week's total. Of these lay-offs, due mainly to releases in the shipbuilding and aircraft industries, about 24,600 occurred in 3 Washington areas, nearly all in Seattle-Bremerton; 31,000 in 6 California areas, with the Los Angeles and San Francisco Bay areas accounting for 18,900 and 7,500, respectively; and 1 area in Oregon (Portland-Vancouver), 8,200.

The United States Employment Service continued to report a substantial number of job openings listed with the local employment office, principally in wholesale and retail trade, service activities, construction, and such other manufacturing as food processing, textiles, and apparel. It should be noted, however, that many of the job openings are at wage rates which do not compare favorably with war industry wage rates or the rates normally found in the heavy manufacturing industries now undergoing reconversion. Nationally, approximately 60 percent of job openings listed with the United States Employment Service offices are at hourly wage rates below 75 cents, with a significant number below 50 cents. Moreover, in States such as Michigan, which experienced extremely large releases of workers since the Japanese surrender, the United States Employment Service local office unfilled openings are relatively few.

There is attached a brief narrative description of the impact of lay-offs from September 1 through September 7 upon each of the 134 areas.

Labor market area	Civilian population	Employment July 1945 [1]	War industry separations Sept. 1-7		USES local office—Unfilled openings as of Sept. 7, 1945						Total unemployment-compensation claims [4]	
					Total		Wage rates in cents [3]					
			Number	Industries [2]	Number	Industries [2]	Under 40 cents	40 to 50 cents	50 to 75 cents	Over 75 cents	Week ending Sept. 1, 1945	Week ending Sept. 8, 1945
Total (134 areas)	69,711,450	7,434,600	224,290		725,870		9,670	46,810	274,810	242,310		
REGION I												
Connecticut:												
Bridgeport	223,000	68,000	(4)		1,600	T, I, M, Y			800	800	7,500	nr
Hartford	318,000	60,000	(4)		2,500	T, M, W, G		200	2,000	300	10,800	14,700
New Britain	84,000	26,000	(4)		1,600	M, I, T, Y			1,450	150	4,200	3,800
New Haven	246,000	31,000	(4)		2,700	R, I, U		400	1,800	500	7,200	6,800
Waterbury	141,000	43,500	(4)		2,000	R, I, W			1,700	300	5,100	5,300
Maine: Portland	147,900	10,000	600	S	1,400	I, M, W	40	260	800	300	1,400	1,300
Massachusetts:												
Boston-Quincy-Hingham	1,738,200	178,000	(3)		17,600	Y, W, U, C	nr	nr	nr	nr	10,300	12,900
Fall River	128,700	13,800	(3)		1,900	T	nr	nr	nr	nr	1,500	2,300
Fitchburg	130,000	3,000	50	nr	2,400	L, Y	nr	nr	nr	nr	1,100	1,200
Lawrence	116,000	4,000	900	T	2,100	T, H	nr	nr	nr	nr	6,800	4,300
Lowell	131,100	3,200	(3)		1,200	T, H, Y	nr	nr	nr	nr	1,300	2,600
Lynn-Salem	260,000	41,500	800	nr	1,900	H, T, Y	nr	nr	nr	nr	3,200	3,200
New Bedford	145,000	14,100	(3)		2,300	T, M, W	nr	nr	nr	nr	700	1,000
Springfield-Holyoke-North Hampton	396,000	58,200	300	nr	3,500	T, M, U	nr	nr	nr	nr	6,900	5,500
Worcester	242,000	36,000	400	nr	3,000	T, W, C	nr	nr	nr	nr	1,900	8,100
New Hampshire:												
Manchester	90,200	1,700	(3)		1,100	T, H, R		400	600	100	700	800
Portsmouth	107,200	18,000	(3)		1,900	H, T, W, C		200	900	700	nr	100
Rhode Island: Providence-Pawtucket-Woonsocket	617,500	67,000	1,100	T, M, Y	10,000	T, Y, W	100	1,000	6,900	2,000	6,800	9,900
REGION II												
New York:												
Albany-Schenectady-Troy	568,200	64,900	3,400	X, M, C, W	4,300	X, I, L, W	100	400	2,200	1,500	2,400	3,600
Binghamton	196,800	19,600	250	Y	1,400	H			250	900	2,000	2,700
Buffalo-Niagara Falls	1,146,300	142,700	1,000	T	7,300	I, R, Q, X		nr	nr	nr	30,500	34,800
Elmira	178,000	21,400	130	Q, I, W	1,900	Q, I, C, W		180	1,200	340	1,500	1,500
New York	7,846,400	434,000	21,800	A, S, O, X	69,300	M, U, L, X	20	400	22,700	17,100	61,500	59,700
Rochester	418,600	82,000	300	nr	5,300	U, X, Y, W		100	2,600	1,300	7,300	8,500
Syracuse	283,200	46,300	(3)	I, M	3,400	W	20	370	1,600	1,400	3,800	3,800
Utica-Rome	296,200	29,500	290	I, M	4,220	X, N, I		230	3,100	900	3,200	4,600

See footnotes at end of table.

Labor market area	Civilian population	Employment July 1945	War industry separations Sept. 1–7		USES local office—Unfilled openings as of Sept. 7, 1945						Total unemployment-compensation claims	
			Number	Industries	Total		Wage rates in cents				Week ending Sept. 1, 1945	Week ending Sept. 8, 1945
					Number	Industries	Under 40 cents	40 to 50 cents	50 to 75 cents	Over 75 cents		
REGION III												
Delaware: Wilmington	189,500	29,600	600	A, S	1,700	C, S, R	40	70	600	700	1,900	1,900
New Jersey:												
Long Branch	197,100	1,800	1,000	W	3,100	G, X	70	150	1,100	800	2,100	1,700
Newark	1,626,300	273,500	5,100	G, S, M, O	13,200	G, C, R		400	5,200	5,700	46,300	35,300
Paterson	847,000	93,000	2,500	A, M	9,600	X, R, W	10	320	6,300	2,900	21,500	13,600
Perth Amboy	205,000	33,500	200	M, A, R	4,600	R, X, I		700	1,800	1,900	3,800	2,400
Trenton	276,800	39,000	1,000	I, M, A	6,600	R, G		30	5,200	1,300	7,300	4,000
Pennsylvania:												
Allentown	405,000	54,400	2,700	I, A, O, M	3,350	X, I, C	50	500	2,200	600	nr	2,900
Altoona	164,600	3,500	350	M, X, T	1,100	T, X, Z	10	50	800	90	1,600	1,700
Erie	170,000	31,900	400	M, I	2,000	I, M, L			1,300	700	2,500	2,600
Harrisburg	274,000	13,900	1,800	G, W	3,200	G, C, I, X	110	420	1,600	1,000	1,700	1,300
Philadelphia	2,980,000	340,000	900	S, M, R, P	21,700	X, W, I, C	100	900	8,300	6,600	21,700	21,700
Pittsburgh	1,531,500	236,800	3,300	O, S, M	16,300	I, R, Z	100	300	3,500	10,600	13,400	14,900
Reading-Pottstown	280,000	29,600	220	O, A	2,100	X, I, C		500	1,100	500	4,000	3,700
Scranton-Wilkes-Barre	635,000	13,600	1,200	X, T, Z	13,200	Z, X, W	300	900	2,000	8,800	12,700	12,200
REGION IV												
Washington, D. C	1,335,000	28,500	4,500	O, G	18,000	W, U, G, Y	600	1,500	7,800	7,700	500	nr
Maryland: Baltimore	1,120,000	159,000	2,700	S, A	13,500	I, W, U, X	30	1,000	3,800	4,500	13,000	17,500
North Carolina:												
Charlotte	412,500	7,900	1,000	O	5,500	X, C, W, U	310	380	4,000	600	2,900	nr
Durham-Raleigh	339,500	2,300	150	L	6,000	V, X, C, L	300	1,400	3,500	800	350	270
Winston-Salem-Greensboro	310,300	9,300	1,700	S, M	5,800	X, V	250	1,000	4,100	450	4,500	4,300
Virginia:												
Hampton Roads	597,500	65,000	2,700	S, G	7,300	W, C, G, T	300	800	4,300	1,900	490	450
Richmond	307,600	12,200	1,300	W, V, B	5,300	V, X, U, L	200	500	3,600	800	80	70
West Virginia:												
Charleston	243,400	26,400	2,500	O	3,600	Z, Q, R, C	50	100	700	2,700	800	1,500
Clarksburg-Fairmont-Morgantown	236,200	6,000	130	R, Y	1,300	Z, M	10	30	280	900	900	1,500
Huntington	258,900	17,300	110	A	2,000	U, X, I, C	60	310	650	900	2,600	nr
Wheeling	184,900	15,200	800	O	1,920	I, Z	40	80	300	1,500	1,100	nr

REGION V												
Kentucky: Louisville	500,000	54,000	4,900	C, O, W, F	5,500	W, L, F, U	500	950	2,700	1,300	5,200	8,600
Michigan:												
Detroit	2,440,000	508,000	20,900	A	11,000	nr	20	70	1,500	9,400	[6] 90,200	[7] 104,800
Flint	236,000	47,000	100	nr	1,800	nr		10	80	1,240	[6] 18,300	[7] 13,600
Grand Rapids	248,000	25,000	550	N, L, M	2,600	X, L, M, W		120	750	1,200	[6] 3,800	[7] 5,200
Lansing	170,000	27,500	350	Y	1,350	W, Y, C	10	40	400	900	[6] 10,300	[7] 6,800
Muskegon	132,000	26,000	[5]		850	F, L		20	320	380	[6] 6,500	[7] 3,400
Pontiac	157,000	30,500	1,200	Y	1,100	Y		60	270	740	[6] 2,900	[7] 2,900
Saginaw-Bay City	243,000	33,000	1,200	nr	1,300	nr	10	40	160	670	[6] 7,700	[7] 6,900
Ohio:												
Akron	485,000	108,500	2,400	R, I, W	4,400	R, W, Q, I	20	170	2,300	1,900	1,900	3,500
Canton-Massillon-Alliance	337,000	63,000	400	I, Y	2,500	Q, I, W		130	1,230	1,120	2,000	3,400
Cincinnati	860,000	99,500	2,500	M, A, G	4,500	W, M, F, I	20	230	1,600	1,200	5,800	7,300
Cleveland	1,300,000	235,000	2,500	M, A	12,200	I, W, Y, X	30	550	3,600	8,000	6,900	11,400
Columbus	500,000	40,000	1,800	Y, W, C, G	3,100	Y, W, F	30	260	1,700	1,100	2,800	2,800
Dayton-Springfield	527,000	77,000	[5]		4,300	W, I, N, M	10	810	1,500	1,700	1,700	2,700
Toledo	380,000	60,500	800	W, N, M, T	2,800	W, F, T, M	40	310	1,240	1,210	3,200	4,200
Youngstown-Warren-Sharon	422,000	91,000	1,200	I, O, M	4,840	I, W	120	220	600	3,900	6,300	7,300
REGION VI												
Illinois:												
Chicago	3,700,000	385,000	5,000	A	48,900	F, I, M, X	120	1,700	24,700	22,300	[6] 63,700	[7] 33,600
Joliet	193,200	16,200	700	O, R	1,700	Q, W	20	90	650	900	2,200	nr
Peoria	239,500	34,600	430	nr	1,250	M, F, W	20	70	550	600	600	450
Quad Cities	216,350	38,200	1,350	O, M	3,100	MF	40	300	1,200	1,200	1,100	nr
Rockford	134,000	24,800	250	O, M	3,500	G, W, M		250	280	500	800	nr
Springfield	321,200	26,300	350	O, M	2,800	I, T	nr	nr	nr	nr	[6] 5,400	[7] 3,900
Indiana:												
Evansville	245,000	28,000	1,800	O, I, A, S	1,100	V, F, L, M	100	250	350	300	9,100	12,120
Fort Wayne	277,400	42,200	300	T, M	3,110	W, T, F, C	10	200	1,700	1,200	2,900	2,100
Gary-Hammond-South Chicago	600,000	133,500	900	I, T	6,710	W, C, I, M	10	400	5,800	5,500	[6] 8,200	nr
Indianapolis	639,400	71,900	1,600	O, M	8,600	F, I, U, W	10	300	5,600	2,500	8,600	nr
Muncie	132,500	14,000	90	R	2,000	Q, F, I	20	200	1,380	400	2,700	2,000
South Bend	262,200	47,500	1,100	A	2,600	M, T, W	20	200	1,300	1,000	10,600	nr
Terre Haute	166,500	5,100	500	F	1,600	F, I, Q, U	80	150	1,100	160	1,000	1,600
Wisconsin:												
Madison-Merrimac	190,500	20,300	1,900	O	2,160	F, M, W	10	200	1,500	450	2,400	2,000
Milwaukee	873,300	134,000	300	M, I	8,800	M, I, F, U	100	800	3,600	3,900	12,400	10,000
Racine	92,000	18,500	20	M	1,200	I, M, W			400	750	1,900	1,800
REGION VII												
Alabama:												
Birmingham	470,400	45,000	1,300	A	6,300	Z, I	260	300	3,500	2,200	4,600	5,600
Mobile	233,900	30,000	1,500	S	1,800	S, L	100	270	700	470	900	900
Montgomery	162,600	3,100	[5]		1,100	X, L, W	170	270	580	60	200	200
Florida:												
Jacksonville	245,100	11,400	850	S	2,300	G, U, W, C	50	200	1,700	350	250	320
Miami	335,000	5,100	100	S	6,300	W, G, C	130		1,900	4,000	800	500
Tampa	301,400	15,300	600	S, V	2,940	W, C, V	30	410	1,500	1,000	2,300	2,100

See footnotes at end of table.

Labor market area	Civilian population	Employment July 1945	War industry separations Sept. 1-7		USES local office—Unfilled openings as of Sept. 7, 1945					Total unemployment-compensation claims	
			Number	Industries	Total		Wage rates in cents			Week ending Sept. 1, 1945	Week ending Sept. 8, 1945
					Number	Industries	Under 40 cents	40 to 50 cents	50 to 75 cents	Over 75 cents	
Georgia:											
Atlanta	595,000	34,800	3,000	A	7,000	X, W, C, Y	800	2,400	3,400	430	5,400	nr
Brunswick	80,000	8,000	(5)		600	S, L	30		320	270	350	400
Macon	165,000	5,100	(5)		1,300	X, Y	270	800	150	50	1,500	1,400
Savannah	158,100	15,200	50	S	1,400	nr	120	220	550	500	1,100	1,200
South Carolina: Charleston	196,200	23,100	(5)		1,400	W, S, L		90	1,100	170	20	30
Tennessee:												
Chattanooga	230,000	15,600	600	O	3,300	X, I, L, W	70	800	1,200	310	3,200	nr
Knoxville	420,000	64,400	2,400	O, N, C	4,150	X, W	80	750	2,200	1,000	900	1,400
Memphis	389,100	21,900	60	R, A, O	4,000	W, L, Y	230	560	2,600	450	4,300	1,500
Nashville	261,300	13,700	850	nr	1,400	W, I, C	60	370	600	220	3,500	1,500
REGION VIII												
Iowa:												
Des Moines	188,600	14,500	700	O, A	3,600	F, T, U, W	240	600	20	1,100	3,600	2,600
Sioux City	95,000	2,000	(5)		1,500	F, C, U, W	40	170	1,000	250	nr	nr
Minnesota:												
Duluth-Minn.-Superior, Wis	157,000	13,800	130	S	2,000	I, F, W	100	200	950	700	1,600	nr
Minneapolis-St. Paul	964,600	70,000	3,800	O, A, F	12,900	W, U, X, F	180	2,200	5,500	5,000	6,300	nr
Nebraska:												
Lincoln	93,200	5,000	600	nr	1,750	T, F, W	80	410	880	380	450	500
Omaha, Nebr.-Council Bluffs, Iowa	297,000	14,800	750	nr	6,730		130	1,500	4,300	800	1,600	1,700
REGION IX												
Arkansas: Little Rock	223,000	10,000	170	O	2,000	W, L, C	290	130	900	200	2,200	1,400
Kansas: Wichita	275,000	33,000	3,500	A	2,220	C, F, A, U	10	90	900	400	4,300	4,400
Missouri:												
Kansas City	717,000	72,000	1,300	O, A	6,900	U, W, F, A		460	4,600	1,800	12,900	nr
St. Joseph	108,000	200	120	X	700	F, C	10	90	430	90	440	nr
St. Louis	1,462,000	155,000	3,500	O, M	14,900	X, M, W, U	300	3,300	7,000	4,300	23,400	nr
Oklahoma:												
Oklahoma City	364,600	18,000	150	A	310	W, F, C	30	190	1,300	600	12,300	4,900
Tulsa	225,200	21,700	750	A	1,200	W, I	70	150	420	500	4,900	nr

REGION X												
Louisiana:												
New Orleans	600,000	41,300	900	S, A, O	5,400	W, U, G, X	80	600	3,100	1,200	1,800	2,500
Shreveport	212,000	8,800	340	O	1,000	C, U, W, M	50	180	420	160	1,800	3,200
Texas:					500	C, W	190	90	140	20	100	80
Austin	123,000	400	(5)		1,400	L, S, W	150	80	600	300	200	320
Beaumont	246,000	30,900	70	S	4,500	W, C, X	50	250	1,400	700	3,800	4,700
Dallas	462,000	30,500	1,000	A, M, X, L	400	X, N, G, W	40	30	200	130	50	60
El Paso	124,000	1,800	(5)		4,300	A, X, I, C	70	160	1,400	270	2,100	2,700
Fort Worth	338,000	17,300	700	A, O	5,600	C, M, I, W	100	460	3,300	1,700	300	700
Houston	647,000	45,400	2,900	S, N, M, P	2,400	G, C, W	350	700	1,000	320	200	210
San Antonio	390,000	3,300	(5)									
REGION XI												
Colorado: Denver	429,000	28,300	200	O, A	6,400	U, F, R, Z		900	4,000	1,500	nr	900
Utah: Salt Lake City	240,800	5,200	(5)		4,400	Z, G, V		170	600	1,700	100	150
REGION XII												
Arizona: Phoenix	165,000	11,700	300	N, A, G	750	U, C, W		10	130	250	2,400	2,400
California:					38,000	W, X, M, Y		200	8,600	2,900	56,300	62,200
Los Angeles	3,175,000	335,000	18,000	A, S, M, Y	3,400	F, W	nr	nr	nr	nr	130	120
Sacramento	215,000	1,200	(5)		3,120	Y, U, C, G		30	1,030	2,060	2,100	2,100
San Bernardino	288,000	9,100	1,100	G, F	3,600	W, G, C	nr	nr	nr	nr	7,300	9,700
San Diego	375,000	32,600	2,400	A, C	23,700	U, W, F	nr	nr	nr	17,000	10,200	8,300
San Francisco Bay	1,807,000	201,000	7,500	S, Y	4,250	F, W	nr	nr	nr	nr	600	700
San Jose	191,000	8,200	600	nr	4,800	F, U	nr	nr	nr	nr	200	200
Stockton	151,500	7,300	500	S								
Oregon: Portland, Oreg.-Vancouver, Wash	690,000	104,000	8,200	S	8,000	U, W, Y	10	200	3,400	4,100	5,000	6,000
Washington:					9,500	W, U, Y			2,900	6,500	2,100	2,100
Seattle-Bremerton	692,700	108,000	23,700	A, S	2,300	W, Y		50	350	650	50	100
Spokane	182,000	3,900	200	N	3,200	L, N, W, Y	10	40	1,050	2,100	1,200	1,200
Tacoma	204,000	26,300	750	A, S								

[1] Estimated employment in metal and metal using, chemicals, and rubber industries.

[2] The industry codes are as follows: A—Aircraft; B—Printing, publishing, and allied products; C—Construction; F—Food processing; G—Government; H—Leather and leather products; I—Iron, steel, and products; L—Lumber and timber basic products, furniture and finished lumber products, and paper and allied products; M—Machinery and tools; N—Nonferrous metal manufacturing; O—Ordnance; P—Petroleum; Q—Stone, clay, and glass products; R—Rubber and chemicals; S—Shipbuilding; T—Transportation equipment, other than aircraft and shipbuilding; U—Utilities and transportation; V—Tobacco manufacturers; W—Trade and service; X—Textiles and apparel; Y—Other manufacturing; Z—Mining, including petroleum extraction.

[3] The sum of the openings by wage rate brackets does not equal the total unfilled openings, nationally and for many areas, since some of the openings are for commissioned and salaried personnel to which hourly wage rates cannot be assigned. Moreover, for a number of areas no distribution by wage rates has been reported.

[4] As reported to the Bureau of Employment Security, Social Security Board.

[5] No significant lay-offs took place during week ending Sept. 7, 1945.

[6] As adjusted by Bureau of Employment Security, Social Security Board.

[7] Unemployment-compensation claims for these areas are currently being filed on bi-weekly basis and therefore understate the number of persons claiming unemployment compensation and are not comparable with the Sept. 1 Unemployment-compensation figures.

nr—Not reported.

Source: War Manpower Commission Reports and Analysis Division, September 13, 1945.

Some Employers Here Exploit Veterans at Less Than Living Wage, McDermott Says [1]

A substantial minority of employers here is taking advantage of unskilled veterans by offering them jobs at less than living wages, Col. Arthur V. McDermott, Director of the Selective Service System in New York, charged yesterday as he noted that within 6 months the local labor market would be swelled by 600,000 discharged soldiers and sailors.

Speaking at a luncheon of the Advertising Men's Post, 209, of the American Legion, at the Hotel Lexington, he made it clear that he was concerned with what was happening now to "graduates" of the draft.

Before the end of the war, Colonel McDermott said, the Veterans Personnel Division of Selective Service headquarters at 1 East Forty-fourth Street was achieving "pretty good results" in helping place untrained veterans. But at present, he reported, "some employers, apparently imbued with the idea of a surplus supply of labor," were apparently trying to put ex-servicemen to work at $24 to $26 a week. "If the attitude of these employers, who are trying to take advantage of the desperation of unskilled veterans, keeps up we will be in a horrible state of affairs," he warned. "It is a terrible reward to give a man who has served from 2 to 5 years a job at $25 a week. How can he possibly support himself and his family in New York on that kind of money?"

Colonel McDermott said the Veterans' Personnel Division now was handling 600 returning veterans every day and predicted that the number would soon rise to 800.

"It's really terrific, and I am getting worried as to whether we are reaching the saturation point," he commented.

He painted a more optimistic picture of the job opportunities for veterans in the white-collar and professional fields and suggested that business could help Selective Service and the United States Employment Service by setting up industrywide centers for registering, screening, and placing former servicemen.

Colonel McDermott said New York City was now inducting 3,000 men a month into the armed forces, 90 percent of them 18 or 19 years old.

Exhibit 82

Statement in Support of 65-Cent Minimum Wage and Other Proposed Amendments to the Fair Labor Standards Act as Provided for in Senate Bill 1349

Submitted to the Senate Committee on Education and Labor on behalf of the Amalgamated Clothing Workers of America by Gladys Dickason, research director, October 26, 1945

Introduction

The combined branches of the men's apparel industry represent a major manufacturing industry, employing as of 1939, more than 350,000 workers.[1] Somewhat more than three-fourths of all workers in the industry are members of the Amalgamated Clothing Workers of America.[2]

For more than 30 years, the Amalgamated Clothing Workers of America has represented workers in the men's apparel industries in their united effort to obtain improvement in their conditions of work. During 22 of those 30 years and more, the union has had detailed and comprehensive experience with the effect of unregulated competition with reference to minimum-wage levels on living standards, on the purchasing power of garment workers, on employment, and on business stability in the industry.

During 9 years of its history, the union has known intimately and in detail, the effect of Nation-wide minimum wage floors on the industry and on the earnings and job opportunities of workers in the industry.

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[1] Source: New York Times, October 10, 1945.

[1] Men's and boys' suits and overcoats, separate trousers, shirts, pajamas, underwear, mackinaws and other heavy outerwear, overalls, work shirts and work pants, neckwear, robes, and gloves.

[2] The Amalgamated Clothing Workers of America has a large additional membership in allied industries.

Experience in Men's Apparel Industry With Effect of Previous Wage Floors Throws Light on Probable Effect of 65-Cent Minimum

Experience in the men's apparel industry with the effect of minimum wage levels beretofore established throws a strong light on the probable effect of the proposed minimum of 65 cents, not only on this industry alone, but, also, no doubt, on other industries where a 65 cent minimum would require a substantial increase in wages in individual plants or in specific sections of the industry. This is so because few, if any, other industries have suffered chronically from so low a wage scale as has prevailed in certain branches of the men's apparel industry in the absence of minimum-wage legislation. Few, if any, other industries have been required to make such drastic increases in wages as were necessary, in 1936 to 1935, and in 1938 to 1941, in individual plants or industrial branches in the men's apparel industry, to comply with minimum wage rates established.

Increase to 65 Cents Modest Compared to Previous Increases Required

An increase in the minimum wage to 65 cents per hour at the present time will involve a smaller increase in wage rates in manufacturing industry generally than was required by the adoption of the President's reemployment agreement and the NRA codes in 1933 and 1934. The spread between the minimum rates established at that time and the then prevailing average hourly earnings (42 cents) was not as great as the present spread between a 65-cent minimum and existing average hourly earnings (97 cents).

Not only is this true of manufacturing industry generally, but it is also true of the lowest paid industries. The increase in wage rates required for the establishment of a 65-cent minimum will be much less, for the industry now paying the lowest wages, than the increase which was required for the lowest-paid industries in 1933, or individual firms in 1938 when the Fair Labor Standards Act was passed.

The cotton garment branch of the men's apparel industry, with average hourly earnings of 19.3 cents in March 1933 was among the manufacturing industries paying the lowest wages at that time. With the adoption of NRA minima of 30 and 32½ cents per hour, earnings rose to 35.6 cents per hour, an increase of 84 percent by February 1934. With a further increase in minimum rates late in 1934, earnings in the industry rose to 41.9 cents per hour in February 1935. Within this short period hourly earnings in this industrial branch were more than doubled.

Despite this large increase in wage rates, production and employment increased and the number of business embarrassments declined.

The improvement recorded in employment, earnings, and production in the cotton-garment industry after the adoption of relatively high minimum wage rates was also recorded in the lowest-paying areas of the men's clothing industry (the manufacture of suits and overcoats). In eastern Pennsylvania (exclusive of Philadelphia) average hourly earnings of clothing workers were 21 cents per hour in 1932. The introduction of the 40-cent minimum in 1933, with provision for minima of $1 per hour for cutters and 75 cents for offpressers, doubled wages in the area. Employment increased. The same development occurred in New Orleans where average hourly earnings had been approximately 16 cents per hour and were also doubled during the NRA period. The increase in wages was accompanied by an increase in employment.

Average earnings in individual plants were as low as 15 cents per hour in 1937, the year prior to the adoption of the Fair Labor Standards Act. Compliance with the 25-cent minimum therein provided for required increases of not less than 66⅔ percent in such plants. Plant average wages as low as 15 cents per hour were reported by the Women's Bureau of the United States Department of Labor in the dress-shirt industry in Tennessee in 1937. Employment in the dress-shirt industry in that State was approximately twice as high in 1939, subsequent to the enactment of the Fair Labor Standards Act, as it had been in 1937 when no minimum was in effect.

Increases of as much as 100 percent in 1933 and 66⅔ percent in 1938, have been instituted to comply with the minimum wage provisions, and whether industry-wide (as in cotton garments) applicable only to particularly low-wage areas within an industry (clothing industry in eastern Pennsylvania and New Orleans); or on an individual firm basis, such increases have not adversely affected employment. That is the record.

This fact offers food for thought with reference to the practicability of a 65-cent minimum.

The maximum increase for any individual firm in any industry now covered by the Fair Labor Standards Act cannot be more than 62½ percent (the relation between 65 cents and 40 cents). Few firms, if any, have plant averages of hourly earnings as low as 40 cents today. But if such there be, the record of past performance shows that a requirement that wages be increased to an even greater extent than 62½ percent does not interfere with increased business stability and increased employment.

The lowest-paid manufacturing industry for which the Bureau of Labor Statistics reports hourly earnings is work shirts. Average earnings in June 1945 in this branch of the men's apparel industry were 57½ cents per hour. The average increase required to bring all workers in this branch to a 65-cent minimum would be about 15 percent. An increase of 15 percent is modest compared with increases which have previously been paid in various branches of the men's apparel industry without curtailing employment.

PRICE CHANGES AND CHANGES IN MINIMUM-WAGE RATES

An analysis of the relation of wage changes to prices in the men's apparel industry discloses facts which merit close consideration in connection with the probable effect on price of a 65-cent minimum wage.

As will be seen from the following table, value per dozen of product and average hourly earnings in the cotton garment industry did not fluctuate in direct relationship to each other during the period from 1929 to 1939.

Value per dozen garments and average hourly earnings in the cotton-garment industry, 1929–39 [1]

Average hourly earnings	Average value per dozen garments				
	Year	Men's shirts	Overalls	Work pants	Work shirts
July 1929, $0.286	1929	$13.39	$12.36	$13.94	$8.02
March 1933, $0.193	1933	8.57	7.46	10.54	4.67
February 1935, $0.419	1935	9.64	8.66	11.33	5.88
Average, 1937, $0.406	1937	10.69	10.75	11.47	6.52
Average, 1939, $0.402	1939	9.39	9.99	10.11	6.29

[1] Value per dozen garments computed from United States Census of Manufactures, 1929–39; average hourly earnings computed from U. S. Bureau of Labor Statistics, monthly releases, Number of establishments, employees, amount of pay rolls, and man-hours worked in selected cotton garment industries.

Hourly earnings rose by 117 percent between 1933 and 1935, but average value at the factory per dozen of men's shirts rose only 13 percent; of overalls, 16 percent; of work pants 8 percent; and of workshirts 26 percent.

The rise in average factory price during a period when hourly earnings were more than doubled was about 14 percent.

Selling prices at the factory averaged about 25 percent lower in 1939 than in 1929 although hourly earnings were 40 percent higher in 1939 than in 1929.

Factors present in the immediate industrial situation in the men's apparel industries make it possible, and, indeed, probable, that the cost of a 65-cent minimum wage can be absorbed by all branches of the industry and yet that, as greater supplies of piece goods and an increased number of workers become available to the industry, prices to the consumer of the products of the industry will, at a later date, be lower, on the average, than those now prevailing.[3] Overhead costs are high today due to inability to secure needed workers. Lower price lines which were made before the war cannot, in many instances, be made because fabric constructions formerly used in such price lines are not now available.

[3] It is not intended to be stated here that prices for the same products will necessarily be lower. The point is that the consumer may be able to get a desired type of cotton shirt, rather than the frequently offered rayon shirt, for example, at a lower price than he must now pay for rayon, in the absence of adequate quantities of cotton piece goods.

PROFIT MARGINS WITH RELATION TO AN INCREASED MINIMUM WAGE

Adequate information is not available with reference to profits in other branches of men's apparel manufacture, but data on profits in the men's and boys' clothing section show substantial increases during the past few years.

Profits before and after taxes for 46 large men's and boys' clothing firms in the United States, 1936–42 [1]

Year	Profits before income taxes	Profits after taxes [2]
1936–39 average	$7,284,000	$5,899,000
1939	10,632,000	8,739,000
1940	11,370,000	[3] 8,732,000
1941	22,738,000	13,304,000
1942	30,712,000	11,755,000

[1] Office of Price Administration, Division of Research, Financial Analysis Branch, War Profits Study No. 10, pt. I, p. 107 and p. 115.

[2] Profits after taxes are shown before minority interest and contingency reserves which are deemed to be nonallowable appropriations from current income. Renegotiation reserves have been allowed as an expense and deducted from profits in every case where the amount set aside was shown as current liability.

[3] Because of the lack of data on excess-profits taxes paid by some companies, profits after taxes in 1940 are overstated by approximately 3 percent.

STABILITY OF SMALL BUSINESSES AS RELATED TO HIGHER MINIMUM WAGE RATES

The experience of the men's apparel industry is also illuminating with respect to the effect of higher minimum wage rates on small businesses, since the industry is characterized by the large number of small firms in all its branches.

The number of establishments in the industry increased from 3,417 in 1933 to 4,157 in 1935; decline to 3,731 in 1937, and rose again to 4,338 in 1939.[4] Average employment per establishment was 70 in 1939 as compared with 68 in 1933; 67 in 1935; and 79 in 1937. Only between 1935 and 1937, when no minimum wage floor was in effect, did the number of establishments decline and the average number of wage earners per establishment rise. Smaller firms, therefore, were better able to survive during the biennium 1933–35, when NRA code minima were in effect, and during 1937–39, when the Fair Labor Standards Act was passed (1938), than between 1935 and 1937 when, with the demise of NRA, no floor under wages existed and wage cutting was rampant in various sections of the industry.

No correlation has been found between size of plant and level of hourly earnings in an examination of hundreds of pay rolls by the research department of the Amalgamated Clothing Workers of America. Many small plants pay wages as high or higher than those paid by larger plants in the industry.

EMPLOYMENT IN SOUTHERN STATES HAS STEADILY INCREASED

The trend of employment by geographical regions in the men's apparel industry, as affected by the introduction of varying minimum wage rates, is also worthy of note in view of the wide geographical distribution of the industry and particularly in view of the fact that for more than a decade dire prophecies have been made as to the future of the industry in the South if minimum rates were raised.

It may be noted here, with detailed supporting data to be presented at a later point, that—

> Despite all fears and forebodings to the contrary, employment in the men's apparel industry in the South has continued to rise, and to rise at a higher rate than in the remainder of the country, during all periods when minimum wage floors have been in effect.
>
> The number of workers in the southern section of the industry in 1939, when the 30-cent minimum under the Fair Labor Standards Act became effective, was twice as great as the number employed in the southern section of the industry in 1931, when no minimum wage was in effect. Employment was 55 percent higher in 1939 than in 1933, although hourly earnings in 1939 were practically double their 1933 level.

[4] Neckwear, gloves, bathrobes, not included in these totals. Total number of establishments, 1939, including these items, 5,250; average size, 66.

Employment, men's apparel industry, Southern States, 1929–39 [1]

Year:	Number of wage earners	Year—Continued.	Number of wage earners
1929	41, 170	1935	55, 441
1931	36, 238	1937	64, 246
1933	46, 754	1939	72, 860

[1] United States Census of Manufacturers, 1929–39. "Southern States" includes all States in the following geographic regions: South Atlantic, East South Central, and West South Central. "Wage earners" represents total for men's and boys' clothing classification and all cotton garment classifications.

Census figures are not available for years subsequent to 1939, but trends in the industry indicate that a continued expansion has taken place in the Southern States since 1939.

No direct correlation exists between average hourly earnings in the men's apparel industry and geographical location. Relatively low wage plants as well as relatively high wage plants are to be found in all regions of the country.

Experience with productivity of labor on men's garments, over a period of years, has demonstrated to the union's representatives who are charged with the responsibility of advising on piece rates that rate of productivity does not vary with geographical area. Productivity, the union has found, is more closely related to efficiency in management and to rate of wages paid than to any other factors.

It has been shown in the foregoing review of experience in the men's apparel industries that the proposed 65-cent minimum involves a much smaller increase in wage rates than those instituted by previous Federal minimum wage regulations; that increases in prices were minor in a period when average hourly earnings in the industry were more than doubled; that there have been substantial increases in profits; that smaller firms were better able to survive during those periods when there were minimum wages than in those when there was no wage floor; and that no particular geographical area has suffered economic discrimination as a result of universal Federal minimum wage determinations. The facts presented here make it evident that the proposed increase in the minimum wage is economically feasible and would, in fact, cause no hardship in the industries under discussion.

Evidence that an immediate increase in minimum wages is of the greatest urgency at this time in order to correct substandard levels of living of a substantial group of American workers, to protect current wage structures, to maintain purchasing power at a level necessary for full employment, and to prevent economic dislocation, has already been presented to the committee in detail earlier in these hearings.

MAINTENANCE OF REASONABLE WAGE DIFFERENTIALS BETWEEN INTERRELATED JOB CLASSIFICATIONS

Necessary to aid in elimination of detrimental labor conditions which burden commerce

Senate bill 1349, in order further to implement the policy enunciated by Congress in the Fair Labor Standards Act of 1938, provides a procedure whereby reasonable wage differentials between interrelated job classifications may be maintained within an industry or a reasonable subdivision thereof.

The policy of the Fair Labor Standards Act, as therein declared is "to correct and as rapidly as practicable to eliminate "* * *" the existence of "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" which, it is found, among other effects, "*causes commerce * * * to be used to spread and perpetuate such labor conditions among the workers of the several States*", and "*constitutes an unfair method of competition in Commerce.*" [Italics ours.]

Evidence heretofore submitted before this committee offers convincing proof that a 65-cent minimum wage (with 75-cents at the end of 2 years, or sooner if so set by an industry committee) does not eliminate labor conditions "detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers." Such a minimum does help to "correct" them, but is insufficient (judged by cost of living budget standards) to eliminate them. [5]

[5] Statement by Solomon Barkin on behalf of the Congress of Industrial Organizations, presented October 5, 1945.

The provision in the present bill for the determination of minimum wage rates for interrelated job classifications at levels higher than the basic minimum wage for unskilled job classifications constitutes another step in the direction of implementing the declared policy of the 1938 Act, the elimination of detrimental labor conditions.

Statement of public members of War Labor Board on inequitable wage relationships.

The public members of the National War Labor Board, after several years of intimate experience with the American wage structure and with the close relationship existing between the minimum wage for unskilled workers and rates for semiskilled and skilled workers in certain industries, as such relationship affects substandards of living and unfair methods of competition in commerce, included the following statements in their report to the President of the United States dated February 12, 1945:

"* * * established wage rates for different jobs are often not set in proper relationship to required differences in skill and ability. *The Board has found that inequitable wage rate relationships invariably impair the morale of workers and lead to grievances and disputes.* And the Board has further found that more often than not, the attempt to correct these relationships piece-meal, * * * simply creates more claims of inequities and more disputes. The soundest approach to this difficulty is to establish by collective bargaining to the fullest extent possible a well-balanced wage rate schedule which, when finally worked out and accepted by the parties, will remain unchanged during the life of the contract. [Italics ours.]

"Normally this process * * * can be effected with but small net additions to the pay roll. *The Board is satisfied, however, from its experience with these cases, that production costs are seldom, if ever, increased by the pay-roll additions and are often actually decreased because of the improved morale and efficiency of the workers.*" [Italics ours.]

"The Fair Labor Standards Act deals only with minimum wages at the substandard level. * * * *It is not uncommon to find portions of industries in which all the workers are crowded together within a narrow range of rates just above the minimum. In these cases there may be few, if any, workers at the statutory minimum, and yet substandard problem is a very real one.* [Italics ours.]

"In the light of our experience, and of the changes in the economy since 1938, we raise the question *whether it would not be appropriate to consider a statutory requirement that, in each industry, minimum rates for a limited number of key occupations above the minimum starting rate should be set, with a view of more effectively correcting substandards of living and, so far as possible, eliminating competitive advantages derived from the payment of adequate differentials above the minimum starting rate.* Peg points of this sort above the starting rate * * * could be established through industry committees and collective bargaining in the same way as has been provided for in the act with respect to starting rates. * * * [Italics ours.]

"* * * *A statutory requirement that peg-points be established would * * * support the congressional purpose declared in the Stabilization Act of October 2, 1942, to avoid the deflation of wages.* [Italics ours.]

"The establishment of these minima throughout industry generally and the consequent revision of ill-defined and unbalanced wage structures would provide a very substantial degree of protection against deflation of straight-time hourly earnings in the reconversion period. *Those ends can, of course, best be accomplished by collective bargaining, and legislation of the sort here envisaged should be regarded chiefly as an and to that process.*" [6] [Italics ours.]

Findings of War Labor Board on effect of inequitable wage rates parallel fingings of Congress on effect of detrimental labor conditions in general

The provisions of S. 1349, relating to the maintenance of reasonable wage differentials between interrelated job classifications supply a practicable means for making effective the recommendations of the public members of the War Labor Board.

The same considerations which moved the War Labor Board, as a result of its day-by-day experience with wage problems as related to the maintenance of a

[6] The members of the War Labor Board submitting the report to the President were: William H. Davis, George W. Taylor, Floyd K. Garrison, and Frank P. Graham.

high level of production, to make these recommendations, form the basis for the support of millions of organized workers for provisions which will make these recommendations effective.

The findings of the public members of the War Labor Board with respect to the effect of inequitable wage rates, it is important to note, coincide in every particular with the finding of Congress, as set forth in the Fair Labor Standards Act of 1938, with reference to the deleterious effects on commerce of the existence of detrimental labor conditions in general.

The Congress found that the existence of detrimental labor conditions, "causes commerce * * * to be used to *spread and perpetuate such labor conditions* * * *." [Italics ours.]

The Board reports that, "A statutory requirement that peg points be established would * * * support the congressional purpose * * * to *avoid the deflation of wages.*" [Italics ours.]

The Congress found that the existence of detrimental labor conditions, "constitutes an *unfair method of competition in commerce.*" [Italics ours.]

The Board raised the question whether "minimum rates for a limited number of key occupations above the minimum starting rate should be set, with a view of * * * so far as possible, *eliminating competitive advantages derived from the payment of inadequate differentials above the minimum starting rate.*" [Italics ours].

The Congress found that the existence of detrimental labor conditions "*leads to labor disputes* burdening and obstructing commerce and the free flow of goods in commerce." [Italics ours.]

The Board reports that, "inequitable wage rate relationships invariably impair the morale of workers and *lead to grievances and disputes.*" [Italics ours.]

Method of fixing minimum rates to maintain reasonable wage differentials same as method provided by Congress in act of 1938 for fixing basic minimum for unskilled—Industry committees.

Not only are the considerations which move vast numbers of workers to support provisions in this bill for the maintenance of reasonable wage differentials between interrelated job classifications parallel with the considerations which moved the public members of the War Labor Board to recommend such provisions, and parallel with the findings of the Congress on which the policy of the Fair Labor Standards Act of 1938 was based, but also, the method of remedying the conditions which the considerations involve, as proposed in the present bill, is parallel with the method advocated by the War Labor Board report and parallel with the methods devised by Congress in the act of 1938 to "correct and as rapidly as practicable to eliminate" the conditions found.

The method proposed in S. 1349 is the placing of responsibility upon the administrator to convene industry committees, and the requirement that such industry committees "shall from time to time recommend the minimum rate or rates of wages to be paid," "with a view of carrying out the policy of this act by reaching, as rapidly as is economically feasible without substantially curtailing employment, the objective of a universal minimum wage of 75 cents an hour for unskilled job classifications in each industry engaged in commerce or in the production of goods for commerce, and to provide for the maintenance of reasonable wage differentials between interrelated job classifications in such industry."

Industry committees composed of an equal number of representatives of the public, of employees and employers in each respective industry, and selected with due regard for the geographical distribution of the particular industry, as provided for in the act of 1938, are charged with the responsibility of investigating conditions in the industry and making recommendations on the minimum rate or rates of wages to be paid. Industry committees have operated effectively under the existing law.

The tripartite character of the committees brings to their membership representatives of labor and employees in each particular industry who are fully conversant with economic and competitive conditions in such industry. The specialized knowledge of the employee and employer representations on the committee, together with the objectivity of disinterested persons representing the public, preeminently qualify such committees for undertaking the task of determining minimum rates which will maintain reasonable wage differentials between interrelated job classifications, in addition to the task of recommending a basic minimum rate for unskilled work which such committees have previously performed.

Intent of provision permissive, not mandatory

Sufficient flexibility in determining whether or not rates above the basic minimum for unskilled job classifications should be set for interrelated job classifications would seem to be included in the provision of clause (b), section 8, that, upon the convening of an industry committee, "the administrator shall refer to it the question of the minimum wage *rate or rates* to be fixed for the industry," and in the provision of clause (a) of the same section that the industry committee "shall from time to time recommend the minimum *rate or rates* of wages to be paid * * * in such industry or subdivision thereof." [Italics ours.]

Maintenance of existing differentials sound but insufficient

A proposal has been made before this committee that the provisions of this bill designed to establish minimum rates which will maintain reasonable wage differentials between interrelated job classifications within an industry be eliminated, and that, instead, language intended to provide for the maintenance of existing differentials be introduced.

We are fully in accord with the intent of the substitute proposal to safeguard the relative standard between minimum wage rates and wage rates above the minimum, but desire to point out that such a safeguard will not operate to relieve commerce among the several States of the obstructions and interferences arising from the existence of those "portions of industries in which all the workers are crowded together within a narrow range of rates just above the minimum" * * * and where "the substandard problem is a very real one."

In other words, the maintenance of existing differentials does nothing to correct a situation where no differentials or no adequate differentials exist. The proposal is sound, but it does not go far enough. It does not contribute to the "revision of ill-defined and unbalanced wage structures," revision of which "would provide a very substantial degree of protection against deflation of straight-time hourly earnings in the reconversion period."

Nor does a proposal for the maintenance of existing differentials afford protection from the unfair competition which may be offered by new firms entering an industry subsequent to the adoption of such proposal.

SUPPLEMENT TO STATEMENT IN SUPPORT OF 65-CENT MINIMUM WAGE SUBMITTED TO SENATE COMMITTEE ON EDUCATION AND LABOR BY AMALGAMATED CLOTHING WORKERS OF AMERICA

TREND OF EMPLOYMENT IN SOUTH IN MEN'S APPAREL INDUSTRY UNDER MINIMUM WAGE PROVISIONS

Leading New Orleans firm fears effect of higher minimums, but increases volume

In 1933, Mr. Joseph Haspel, representing five New Orleans wash-suit manufacturers, made the following statement:

"We have increased the rates of pay in my particular factory, and that is typical of every other factory in New Orleans, 85 percent over the pay that previously existed, before the passage of the NRA.

"We feel that if we are changed from a 30-cent-an-hour basis to a 35-cent basis, that is a difference of one-sixth or 16⅔ percent. Our cost of labor today is 185 percent of what it was previous to NRA, and this 31 percent will increase our cost—will make our cost 216 percent of what it was before the NRA.[1] * * *"

Simple arithmetic reveals that if 35 cents per hour represented 216 percent of pre-NRA rates of pay, such pre-NRA rates were 16 cents per hour.

A petition presented by Mr. Edward Haspel, as attorney for the New Orleans firms, under date of February 2, 1934, contained the following statement: "Prior to the enactment of the NIRA, said manufacturers were accustomed to operate an average of more than 58 hours per week."[2]

Mr. Joseph Haspel later stated that the average in his plant went to approximately 32 cents an hour as a result of NRA provisions.[3]

[1] Transcript of Hearing on Cotton Garment Industry, November 27, 1933, p. 81; quoted in Work Materials No. 58, The Men's Clothing Industry, Office of National Recovery Administration, March 1936, p. 337.

[2] Quoted in Work Materials, No. 58 (cited above), at p. 373.

[3] U. S. Department of Labor, Wage and Hour Division, Hearing to Consider the Recommendation of Industry Committee No. 2, December 1939, p. 2844.

Average earnings of men's apparel workers in New Orleans were doubled or more than doubled by the effect of NRA code provisions.[4] A reduction in hours of more than 30 percent accompanied the doubling of hourly rates.

This momentous improvement in wages and working conditions resulted only in benefits to the New Orleans industry. No ill effects followed. This is evidenced by the fact that employment in the industry increased at a faster rate in New Orleans than in the country as a whole between 1933 and 1935. The increase in New Orleans was 43 percent while the increase for the United States for the same period was 21 percent.[5]

Earnings of men's apparel workers in New Orleans declined between 1935, when the National Industrial Recovery Act was invalidated, and 1938, when the Fair Labor Standards Act was passed. The level to which they descended during this time is not publicly recorded, but in 1939, Mr. Joseph Haspel estimated that during the period when the 25-cent minimum was in effect, average hourly earnings in the Haspel Bros. plant were "around 28 or 29 cents." [6] In 1939, therefore, wages paid by this large employer were 3 to 4 cents per hour lower than they had been 5 years earlier.

By November 1939 wages in this plant had increased from "28 or 29 cents" to 35 cents under the influence of the 30-cent minimum provided for in the Fair Labor Standards Act.[7]

The industry in New Orleans in 1938 and early 1939 did not enjoy prosperity as a result of lowered wages; 1938 and early 1939 were periods of season's end close-outs and losses.

Despite the fact that a doubling of hourly earnings and a 30-percent reduction in hours in 1933 had not adversely affected the New Orleans industry, and despite the fact that lowered wages had not brought prosperity in 1938, thus demonstrating that no direct connection exists between low wages and business security, Mr. Haspel, nonetheless, appeared in December 1939, to testify against the introduction of the 40-cent minimum into the industry.[8]

Mr. Haspel expressed grave doubt at that time as to the future of the industry in New Orleans if the proposed 40-cent minimum wage should become effective. These doubts, however, evidently did not persist for long after Mr. Haspel had completed his testimony. They had, in fact, apparently been completely dispelled within a very short time, since on April 9, 1940, Haspel Bros. reported "a gain of more than 50 percent in cotton suits and an increase of more than 100 percent in export business." [9] The 40-cent minimum wage recommendation was still in prospect while this most substantial increase in volume was being booked.

The 40-cent minimum wage went into full force and effect in the men's clothing industry, including the industry in New Orleans, in July 1940. The vast gulf between Mr. Haspel's dubious expectations as to the effect of the 40-cent minimum, and the actual course of events, may be indicated by the following items:

On September 16, 1941, more than a year after the 40-cent minimum had become mandatory, the Daily News Record quoted a Haspel spokesman as saying, "It is anticipated that conditions will prompt the smashing of all previous records for volume on the Lorraine seersucker suits."

On July 30, 1942, 2 years after the 40-cent minimum had become operative, a letter from Haspel Bros. to its retail accounts contained the following statement: "Owing to a record volume we are hard put to meet even the normal demand for fill-in business." [10]

As of a few weeks ago, and after 5 years of operation under the 40-cent minimum, Haspel Bros. had still not encountered those problems Joseph Haspel had testified in 1939 that he expected. On September 25, 1945, the Daily News Record quotes Joseph Haspel as saying: "We foresee the most promising summer in men's clothing history in 1946 * * *." The same item reports that the firm stated that, "Plans for increasing production facilities are under way."

[4] The average could not have been lower in other clothing factories in New Orleans than in the Haspel Bros. plant, taking into consideration the provisions of the Men's Clothing Code. The Men's Clothing Code required payment of minimum rates of 85 cents per hour to cutters and 60 cents per hour to off-pressers in this area and industrial branch.

[5] Computed from U. S. Census of Manufactures, 1933 and 1935, Men's, Youths', and Boys' Clothing and Work Clothing. Employment for State of Louisiana reported; employment in the State is concentrated in New Orleans.

[6] Transcript of Hearing to Consider the Recommendations of Industry Committee No. 2, p. 2841: Wage and Hour Division, U. S. Department of Labor, 1939.

[7] 35.3 cents; transcript of hearing, 1939, cited above, p. 2830, testimony of Mr. Joseph Haspel.

[8] Transcript of hearing, 1939, cited above.

[9] Daily News Record, April 9, 1940.

[10] Daily News Record, July 30, 1942.

Time has proved that Mr. Haspel's fears as to the effect of the 40-cent minimum wage were unwarranted: The firm now plans to increase production facilities.

Employment in New Orleans men's apparel industry rises

The experience of the Haspel Co. is not unique in New Orleans. Employment in the men's apparel industry as a whole in the city has gained at a more rapid rate during the periods when minimum wage regulations have been in effect than has employment in the industry throughout the United States.

The reports of the United States Bureau of the Census on employment in the men's apparel manufacturing industry records the employment of more than twice as many wage earners in the State of Louisiana in 1939 as were employed in 1933. (Men's apparel manufacturing in Louisiana is concentrated in New Orleans, hence reports for the State closely reflect the trend of employment in the city.)

Employment in the men's apparel industry in Louisiana and in the United States, 1933–39 [1]

Year	Number of establishments		Average number of Wage earners	
	Louisiana	United States	Louisiana	United States
1933	16	3,362	1,264	228,353
1935	26	4,157	1,810	276,474
1937	23	3,731	2,347	295,302
1939	29	4,262	2,600	302,561

[1] United States Census of Manufactures, 1923 to 1939: Employment in various categories of the men's apparel industry (men's, youths', and boys' clothing, shirts, and work clothing have been totaled to obtain comparability in view of changes in census classifications). Men's neckwear, gloves, and other furnishings are not included.

Employment in the men's apparel industry in Louisiana increased by 43 percent from 1933 to 1935, during the period while minimum wage regulations under the NRA were in effect, although employment in the industry throughout the country increased only 21 percent. Between 1937 and 1939 (the Fair Labor Standards Act was passed in 1938) employment increased in Louisiana by 11 percent, whereas the national total in the industry increased by only 2 percent.

The 40-cent minimum became effective in the men's clothing industry in July 1940, and in the cotton-garment industry in September 1941. Census reports on employment in New Orleans subsquent to 1939 are not available, but the records of the union show a substantial continued gain, up to and including 1945, in employment in men's apparel manufacturing in New Orleans.

Employment in the men's apparel industry in New Orleans stands at the highest level in its history today. This achievement is all the more remarkable in view of the marked decline, due to shortages of labor and materials, in employment in the industry for the country as a whole during the war years.[11] [12]

SOUTHERN GARMENT MANUFACTURER'S ASSOCIATION PREDICTS "HOBBLING OF SOUTHERN INDUSTRY," BUT EMPLOYMENT EXPANDS

New Orleans manufacturers were not alone in fearing the effects of Federal minimum-wage legislation on employment in the men's apparel industry. The secretary-counsel of the Southern Cotton Garment Manufacturer's Association submitted a report to the convention of the association in December 1937, in which he set forth 27 points of objection to the then-pending wage-hour bill. The trade paper of the industry, the Daily News Record, commented that, "The

[11] U. S. Department of Labor, Monthly Labor Review, Trend of Employment, Earnings, and Hours, September 1945, p. 594.

[12] Attention has been called during the hearings before this committee to the fact that 2 men's apparel manufacturing firms in New Orleans have gone out of business in recent years. Two firms have, as a matter of fact, discontinued operations since 1939. Despite this fact, a greater number of workers is employed in the industry than ever before, and a labor shortage exists. The industry in New Orleans is currently advertising for help, both through the newspapers and over the radio.

best thought of southern garment manufacturers on the pending wage-and-hour legislation was doubtless expressed" in the secretary's remarks.[13]

A leading thought in the secretary's argument was summed up thusly: "Make no mistake about it. This kind of legislation is only for the purpose of hobbling southern industry * * *."

Again fears were expressed which time has proved to be unjustified. Wage-hour legislation was enacted and it has not hobbled Southern industry. Analysis of comparable census data on employment in the various branches of the men's apparel industries, by States, shows a higher percentage of employment in the South, relative to the remainder of the country, in 1939, after the wage-hour law had been passed, than in 1937, prior to its passage.[14]

Experience had apparently had little effect on the Southern Cotton Garment Manufacturers' Association, however, for on July 30, 1941, the secretary-counsel of the association testified as follows: "In opposing the recommendation, * * * it is believed that the fixing of the statutory maximum minimum of 40 cents as the minimum wage rate for this industry at this time will produce injurious and probably unbearable consequences upon the manufacturers in the South." [15]

The 40-cent minimum was established, and the "unbearable consequences" have not developed. The record of new men's garment plants opened in the South, and expansion of existing plants, subsequent to the effective date of the 40-cent minimum (September 1941) belies any "injurious consequences" to the industry in the area.

Protested higher minimum wage rate but opens new factories

One further example of the objections of men's apparel manufacturers to an increase in the minimum wage will suffice to make clear the contrast between the fearful anticipations expressed and the actual course of developments.

In 1933 Mr. Elmer Ward, president of the Goodall Co., manufacturers of Palm Beach suits, made the following comments with reference to proposed higher minimum rates on summer clothing:

"* * * The bulk of the work is now done in the South, where the worker is generally of slower temperment, is not keyed up to systematic production of the North, and produces on the average few units per individual.

"* * * any higher scale of wages than that proposed would raise costs out of all proportion to the possible sale price, and probably result in the elimination of this industry and those employed therein." [16]

Minimum wage rates higher than 30 cents per hour, applicable to summer clothing, were, as a matter of fact, established in 1933, and a minimum rate of 40 cents per hour was established in 1940.

The Goodall Co. has, since 1933, opened new plants in Kentucky, Alabama, and South Carolina.

Those employed in the South were not "eliminated," as was thought probable by Mr. Ward, but, on the contrary, have been added to. Higher minimum-wage rates have not brought the fateful consequences said to be anticipated.

[13] Daily News Record, December 13, 1937.
[14] See table, p. 10.
[15] Public Hearing on Recommendation of Industry Committee No. 20 for the Single Pants, Shirt, and Allied Garment Industry, July 30, 1941, Washington, D. C.
[16] Transcript of hearing on men's clothing industry, July 27, 1933, volume 2, pp. 87–91, quoted in Men's Clothing Industry, Work Materials No. 58, Office of National Recovery Administration, March 1936, p. 326. (Proposed rate referred to, 30 cents per hour.)

EMPLOYMENT IN MEN'S APPAREL INDUSTRY IN THE SOUTH HAS INCREASED AT MORE RAPID RATE THAN IN REMAINDER OF COUNTRY: MINIMUM-WAGE FLOORS HAVE NOT IMPEDED DEVELOPMENT

The extent of changes in employment in the men's apparel industries can be determined from the following data published by the Bureau of the Census:

Changes in employment, men's apparel industries, 1929–39, United States, South, and other regions [1]

	1929	1931	1933	1935	1937	1939
United States	252,365	217,569	228,350	276,474	295,302	302,561
South	41,170	36,238	46,754	55,441	64,246	72,860
Other regions	209,048	173,865	175,446	215,994	216,997	219,944

[1] United States Census of Manufacturers: Men's, youths' and boys' clothing; leather and sheepliined clothing; shirts, nightwear and collars; work clothing, including work shirts; trousers (semidress), wash suits, and washable service apparel groups have been totaled to obtain comparable data. (Underwear, neckwear, robes, gloves, not included).

South Atlantic, East South Central, and West South Central Regions, included in "South."

Differences between total for "South" and "Other regions," combined, as compared with total for United States, are equal to number of wage earners each biennium who are not distributed according to State in census reports.

Employment in the men's apparel industries increased by 50,000, or 20 percent during the decade from 1929 to 1939. Approximately 32,000 of these additional workers found employment in the South, while about 11,000 were employed in all other regions. (The census does not report the distribution by State of the remaining 7,000, but internal evidence in the census would indicate that a large proportion of these 7,000 workers were also employed in the Southern States.)

During the 10-year period 1929 to 1939 employment in the men's apparel industries increased 77 percent in the Southern States, and only 5 percent in all other regions.

All sections of the country were affected by the severe decline in employment between 1929 and 1931.

The Southern States benefited most from the increase in employment of free labor in 1933 due to the impending effective date of the Hawes-Cooper Act affecting the shipment of prison-made goods in interstate commerce. The introduction of minimum wage regulations under the President's reemployment agreement, and the succeeding NRA codes, did not operate to halt or interfere with the marked rise in employment in the South flowing from this source. The maintenance of a level of employment in the South 30 percent higher in 1933 than in 1931 offers convincing evidence that the introduction of minimum wage provisions, which had the effect of doubling wage rates in the area did not operate to the disadvantage of the region.

The continued rise in employment in the South between 1933 and 1935 presents evidence of the fact that the maintenance of higher wage rates under the NRA codes did not tend to hamper employment in the South.[17]

Expansion in the South continued during the biennium 1935 to 1937, when no minimum-wage legislation was in effect, and was not hindered by the enactment of the Fair Labor or Standards Act in 1938.

Average employment in the South was 14 percent higher in 1939 than in 1937, although the introduction of the 25-cent minimum in 1938 and the 30-cent minimum in 1939 (October) required individual firms to doube the rate of wages paid, and required numerous others to make increases in wages of 50 percent or more.[18]

Census data is not available on employment by States subsequent to 1939, but the union's record indicate that the rise in employment in the Southeast continued uninterruptedly, and unimpeded by the establishment of the 40-cent minimum rate in 1940 and 1941 in the various branches of the industry.

[17] NRA codes became inoperative May 27, 1935.
[18] See wage data in Hours and Earnings in Certain Men's Wear Industries, Bulletin of the Women's Bureau, No. 163–1, Washington, 1938.

STATEMENT OF MRS. DOROTHY FARNELL, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM WEST WARWICK, R. I.

My name is Mrs. Dorothy Farnell. I live in West Warwick, R. I., and work as a stitching operator at the Arnoff Manufacturing Co. there.

My father died when I was 13 and I was forced to go to work so as to help support my sister of 7 years of age. My first job was with Fownes Silk Glove Co., in Amsterdam, N. Y. I received $6 a week. After that I worked in a knitting mill and a men's clothing shop at Utica, N. Y.

I married in 1924. Six years later I started to take in boarders so as to help meet expenses. In 1930, we moved to Connecticut. At this time my husband was earning $28 a week in a mill. When the owner of the mill decided to shut down, my husband and two other men worked at half pay, $14 a week, so as to keep this mill open and also to keep themselves with jobs. We moved to West Warwick, R. I., with this same mill. My husband's pay was increased to $22. I started to take in roomers again so that we could get a little more money to live on. Finally, my husband was too ill to work. I could not support my two children and my husband with only the money from roomers and in 1942 I found a job in a garment factory making slips for $14 a week. When the Arnoff Manufacturing Co. opened to make flying jackets for the Army Air forces I went there to work. I have been there since 1943. My husband hasn't been with me since then and I have had no assistance from him either.

In 1943 the house I was living in was sold and I was forced to move into a tenement house. I pay out $3 a week for rent, an average of $2 per week for oil, this being used for cooking and heating, $1 for transportation, $2 for insurance, about $16 for food (this includes, ice, milk, and eggs). I have tried for 2 years now to find a decent place to live in. I can't find one which I can afford. We have three rooms and a pantry. The only facilities we have are electricity and an iron sink with one faucet. The toilet is in the back yard. After paying my necessary expenses I have $4 left to buy clothing, pay doctors' and dentists' bills.

Last year my pay averaged $28.60 per week. This is not much these days to live on. I work on piecework. Some weeks there isn't much work, then I receive the 60 cents minimum which we have in our shop. It isn't nearly enough. My son is 15, and believe me, it is some job to keep him in clothes. He wears size 38 men's suits. His clothing costs as much as a man's, and he needs more than a man for he wears things out quicker, especially shoes. We couldn't manage at all if my boy didn't help in every way possible. In summer he mows lawns. A year ago he picked cranberries in the cranberry bog. He came home nights with his knees all swollen and cracked. This fall he picked potatoes. When he does these jobs he goes to school every other week during the season and he has to catch up his work then. He will be 16 in the spring. I would like to keep him in school, but at the present time it seems impossible. I have had a debt of $400 for the past 5 years which I haven't had an opportunity to pay anything one. I also owe a $50 dentist bill for the past year. Last summer when our plant was shut down I was forced to sell my washing machine and sewing machine so as to have enough money for food. It is the same everywhere in West Warwick. There are girls who do waitress work after working all day in the mills.

The cutters in our shop haven't worked since VJ-day. This means that eventually it will become my turn to be laid off. Earnings have dropped since VJ-day. We have a 60-cent minimum in the plant I work in. When I am laid off I will be forced to go to another shop where the minimum rate is lower.

I want my boy to finish at least his high-school education. I have heard other testimonies where mothers have had to put their children to work even at the age of 12. Our children should have the privilege of finishing their schooling. I have come down here to urge the Senators to pass this bill that wold give everyone a minimum wage of 65 to 75 cents an hour. Living costs haven't come down since VJ-day, although our earnings have. We have worked hard during the war and even then earned just enough to get by. I, personally, am no better off financially than I was at the beginning of the war; in fact, I am poorer. We want our wages to be at least enough so that we have enough for the bare necessities of life.

STATEMENT OF MRS. ESTHER FOSTER, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM POTTSVILLE, PA.

My name is Mrs. Esther Foster. I work as a spreader in the Style Specialists Co. at Pottsville, Pa. We've been working on Government work lately, mostly jackets, but ordinarily this company makes bathrobes. There are about 550 or 600 workers altogether. I have been there 13 years now and make $25 for a 40-hour week. That comes to about 62 cents an hour. But after deductions for social security, income tax, and bonds, I usually take home about $20 a week.

I am a widow and am the only support of my two children and my widowed mother. If my mother did not own her own little house I don't know how we would make ends meet at all. My $20 a week just pays for food, taxes on the house, and insurance. The insurance doesn't come to much—just enough for burial money. If people didn't give us clothes, I don't know where we would get the money to pay for them. My little girl had an operation over 2 years ago, and I've just finished paying for it now. Most of the other time-workers in my shop earn $3 a week less than I do. I don't know how they manage, because most of them have people to take care of, too.

I certainly hope the Government does something to raise wages. We're barely getting along now. How far does $20 a week go? If I had a little more money, the first thing I'd do is have our house fixed. We're lucky not to have to pay rent, but the house is just falling apart now and has to have some repairs. Then I'd like to have a little more money to be sure that my two children can finish high school instead of going out to work to support themselves before they should. I want my children to have a better break than I did and I think the least they can do is finish high school, for the future of tomorrow is the child of today; and if the child of today does not have an education, what will the future of tomorrow be? Education is one thing in life that should be acquired by all children. How can our future of tomorrow be successful if the child must quit school to help support his family? For we are growing older and will look for the child of today to take care of the tomorrow.

STATEMENT OF MRS. EDNA HOLLINGER, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM YORK, PA.

I am Mrs. Edna Hollinger. I live in York, Pa., and work at F. Jacobson & Sons, a shirt company there.

I am 25 years old and have been working since I was 15. My first job was as hand sewer on children's wear at $10 a week. I then went to work at Reliance factory on pajamas and 4 years ago came to the company where I now work. I'm a stitching operator on dress shirts.

My husband is a seaman first class in the Navy. He's been in the service for 25 months and in the Pacific for 22 months. Before that he was a truck driver. After we were married about a year, we decided to start buying a home so that we would have a good start in life. So we have this three-apartment home in York which we have already finished paying for. I rent out two of the apartments, one of $20 and the other for $26 a month. I have a 19-month-old baby boy and live with my baby and my mother-in-law in the other apartment. Aside from the rent from the other apartments, we have the allotment from my husband which comes to $80 a month, and my own pay check which amounts to a little over $30 a week with overtime.

That may sound like a lot of money to you, but it doesn't go far in meeting expenses for the baby and my mother-in-law. We have to pay $144 a year for coal and $12 a year for water. Our gas comes to from $6 to $9 a month, electricity is $3, insurance $8 a month. When my husband was home, he used to take care of a lot of repairs around the house. Now, I have to spend more money keeping the house in good shape. Whatever is left after I pay for the expenses around the house, I use for food or for clothes for the baby.

If I didn't work, we couldn't manage at all. And, I don't want my husband to have to come home and start life all over again with a lot of bills on his hands. We had a pretty good start with the house, and I want to keep us out of the red. That's why I'm working.

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INTENTIONAL SECOND EXPOSURE

STATEMENT OF MRS. DOROTHY FARNELL, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM WEST WARWICK, R. I.

My name is Mrs. Dorothy Farnell. I live in West Warwick, R. I., and work as a stitching operator at the Arnoff Manufacturing Co. there.

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In 1943 the house I was living in was sold and I was forced to move into a tenement house. I pay out $3 a week for rent, an average of $2 per week for oil, this being used for cooking and heating, $1 for transportation, $2 for insurance, about $16 for food (this includes, ice, milk, and eggs). I have tried for 2 years now to find a decent place to live in. I can't find one which I can afford. We have three rooms and a pantry. The only facilities we have are electricity and an iron sink with one faucet. The toilet is in the back yard. After paying my necessary expenses I have $4 left to buy clothing, pay doctors' and dentists' bills.

Last year my pay averaged $28.60 per week. This is not much these days to live on. I work on piecework. Some weeks there isn't much work, then I receive the 60 cents minimum which we have in our shop. It isn't nearly enough. My son is 15, and believe me, it is some job to keep him in clothes. He wears size 38 men's suits. His clothing costs as much as a man's, and he needs more than a man for he wears things out quicker, especially shoes. We couldn't manage at all if my boy didn't help in every way possible. In summer he mows lawns. A year ago he picked cranberries in the cranberry bog. He came home nights with his knees all swollen and cracked. This fall he picked potatoes. When he does these jobs he goes to school every other week during the season and he has to catch up his work then. He will be 16 in the spring. I would like to keep him in school, but at the present time it seems impossible. I have had a debt of $400 for the past 5 years which I haven't had an opportunity to pay anything one. I also owe a $50 dentist bill for the past year. Last summer when our plant was shut down I was forced to sell my washing machine and sewing machine so as to have enough money for food. It is the same everywhere in West Warwick. There are girls who do waitress work after working all day in the mills.

The cutters in our shop haven't worked since VJ-day. This means that eventually it will become my turn to be laid off. Earnings have dropped since VJ-day. We have a 60-cent minimum in the plant I work in. When I am laid off I will be forced to go to another shop where the minimum rate is lower.

I want my boy to finish at least his high-school education. I have heard other testimonies where mothers have had to put their children to work even at the age of 12. Our children should have the privilege of finishing their schooling. I have come down here to urge the Senators to pass this bill that wold give everyone a minimum wage of 65 to 75 cents an hour. Living costs haven't come down since VJ-day, although our earnings have. We have worked hard during the war and even then earned just enough to get by. I, personally, am no better off financially than I was at the beginning of the war; in fact, I am poorer. We want our wages to be at least enough so that we have enough for the bare necessities of life.

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My name is Mrs. Esther Foster. I work as a spreader in the Style Specialists Co. at Pottsville, Pa. We've been working on Government work lately, mostly jackets, but ordinarily this company makes bathrobes. There are about 550 or 600 workers altogether. I have been there 13 years now and make $25 for a 40-hour week. That comes to about 62 cents an hour. But after deductions for social security, income tax, and bonds, I usually take home about $20 a week.

I am a widow and am the only support of my two children and my widowed mother. If my mother did not own her own little house I don't know how we would make ends meet at all. My $20 a week just pays for food, taxes on the house, and insurance. The insurance doesn't come to much—just enough for burial money. If people didn't give us clothes, I don't know where we would get the money to pay for them. My little girl had an operation over 2 years ago, and I've just finished paying for it now. Most of the other time-workers in my shop earn $3 a week less than I do. I don't know how they manage, because most of them have people to take care of, too.

I certainly hope the Government does something to raise wages. We're barely getting along now. How far does $20 a week go? If I had a little more money, the first thing I'd do is have our house fixed. We're lucky not to have to pay rent, but the house is just falling apart now and has to have some repairs. Then I'd like to have a little more money to be sure that my two children can finish high school instead of going out to work to support themselves before they should. I want my children to have a better break than I did and I think the least they can do is finish high school, for the future of tomorrow is the child of today; and if the child of today does not have an education, what will the future of tomorrow be? Education is one thing in life that should be acquired by all children. How can our future of tomorrow be successful if the child must quit school to help support his family? For we are growing older and will look for the child of today to take care of the tomorrow.

STATEMENT OF MRS. EDNA HOLLINGER, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM YORK, PA.

I am Mrs. Edna Hollinger. I live in York, Pa., and work at F. Jacobson & Sons, a shirt company there.

I am 25 years old and have been working since I was 15. My first job was as hand sewer on children's wear at $10 a week. I then went to work at Reliance factory on pajamas and 4 years ago came to the company where I now work. I'm a stitching operator on dress shirts.

My husband is a seaman first class in the Navy. He's been in the service for 25 months and in the Pacific for 22 months. Before that he was a truck driver. After we were married about a year, we decided to start buying a home so that we would have a good start in life. So we have this three-apartment home in York which we have already finished paying for. I rent out two of the apartments, one of $20 and the other for $26 a month. I have a 19-month-old baby boy and live with my baby and my mother-in-law in the other apartment. Aside from the rent from the other apartments, we have the allotment from my husband which comes to $80 a month, and my own pay check which amounts to a little over $30 a week with overtime.

That may sound like a lot of money to you, but it doesn't go far in meeting expenses for the baby and my mother-in-law. We have to pay $144 a year for coal and $12 a year for water. Our gas comes to from $6 to $9 a month, electricity is $3, insurance $8 a month. When my husband was home, he used to take care of a lot of repairs around the house. Now, I have to spend more money keeping the house in good shape. Whatever is left after I pay for the expenses around the house, I use for food or for clothes for the baby.

If I didn't work, we couldn't manage at all. And, I don't want my husband to have to come home and start life all over again with a lot of bills on his hands. We had a pretty good start with the house, and I want to keep us out of the red. That's why I'm working.

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STATEMENT OF MISS HILDA LAROCHELLE, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM WATERVILLE, MAINE

My name is Hilda LaRochelle and I work at the C. F. Hathaway Co., a shirt factory with about 500 workers in Waterville, Maine. I've been there about 4 years and work now as a shirt folder. This is really a pressing operation, and since I am very skilled at it by this time, if I work every single minute I sometimes make as much as 85 cents an hour on the piece rates. But lately we haven't been working full weeks and I usually take home about $30 a week.

We have a pretty large family back home. Neither my father nor mother can work. I live with them, my niece, another sister, and a boarder in a house which we rent for $25 a month. All of my family has to get along on my earnings, $7 a week which we get from the boarder, and $5 which we get for support of the niece. Even earning as much as 85 cents an hour, it's hard to manage. I have needed an operation for several years and have been unable to have it because I can't save up enough money for it. And, aside from that, I have to pay a lot of money for injections, medicine, and special foods besides steady medical care for my mother.

There are several reasons why I am down here in support of this minimum wage bill. For one thing, I know that even on my 85 cents an hour, it's hard to manage with my responsibilities, and I certainly want to be sure that I won't have to be working for starvation wages after the war. Then, also, I know that there are plenty of people in my factory and in my town who don't make as much as I do and who have responsibilities, too. I want to be sure that they will have enough to live on. That's why I think the Government should make it a law that nobody should get less than 75 cents an hour.

STATEMENT OF MRS. BILLIE CUNNINGHAM, MEMBER OF THE AMALGAMATED CLOTHING WORKERS FROM FAYETTEVILLE, TENN.

I am Mrs. Billie Cunningham, Fayetteville, Tenn. Until this summer I worked as a final inspector at the Blue Ridge Shirt Manufacturing Co. in Fayetteville. I got 40 cents an hour for this work, but there was almost never a full week's work for me and my pay check was usually not much more than $13 a week.

I never worked until 3 years ago. My husband was a railroad conductor and earned pretty good money. We were able to start buying our own home, but we couldn't save anything else because I had some nine operations that took just about all our money. Three years ago my husband had to retire on a pension because he developed cataracts on his eyes. He will never work again. That's when I had to go to work at Blue Ridge.

My husband gets $91.12 a month from his pension. Until I was laid off this summer, I was bringing home between $13 and $15 most weeks. We get $25 a month for renting out one of the apartments in our house. My husband's pension, and the $25 rent, and my paycheck when I had one, is all the income we have.

The house we are paying for has three apartments in it. My husband and my 17-year-old daughter and I occupy one. Another is accupied by my 74-year-old aunt, who helped bring me up, and a 50-year-old woman who lives with her and helps her out. The third is rented for the $25. Out of our income we still pay $50 a month on our house, $109 a year for taxes on the house, $4 a month for water, $1 a month for gas, and we also pay for electricity, coal, and insurance. We give my aunt her apartment and pay for her light and water and heat. But she and this 50-year-old woman bake cakes when they can to try to earn enough money for their groceries.

I barely get by with food on the money we have now. I haven't had a new dress in a long time. Whenever I do start out to get something I need for myself, I usually end up with something for my daughter. She's 17 now and just at the age when she needs so many things. Besides, she's bigger than I am and I can make over her old clothes for myself.

I would like to be able to get a job that pays more than 40 cents an hour so that I could be sure that my daughter would finish her education. She's almost through high school now and wants to go on and take a secretarial course so that she will be able to help support her father, too. I would like for her to take that course so that she won't have to go and work in a factory for 40 cents an hour.

STATEMENT OF STEPHEN GANNON, MEMBER OF THE AMALGAMATED CLOTHING WORKERS OF AMERICA FROM NEW YORK CITY

My name is Stephen Gannon. I am a cutter in the firm of Cohen, Goldman & Co. of New York City, one of the largest manufacturers of men's clothing in the country. I am appearing here on behalf of the men's clothing workers. Although men's clothing workers are not now among the lowest paid groups, they are nevertheless directly concerned with the proposed increase in the minimum wage. They know from experience that irregularity in their employment is directly due to changes in purchasing power.

I have been a cutter for Cohen, Goldman for over 20 years, after having been an apprentice cutter for 4 years. The work of a cutter is highly skilled, requiring a long period of training and great responsibility, because a single error on the part of a cutter may cost the employer a great deal of money.

I am here, however, to speak for all men's clothing workers, because cutters, as a matter of fact, represent only about 5 percent of all men's clothing workers. And, even though our weekly rates are not among the lowest, I can clearly remember during the last 10 years when men's clothing workers in the contract shops in New York were making only $700 a year because of "slow time." Through our union, we have been successful in raising our wages over the years. But we know that no matter how high our weekly rates are, if there is not sufficient work to go around, we will not make enough throughout the year.

Today, those men's clothing workers, who during the war and until VJ-day were employed more than 50 percent on the manufacture of uniform clothing for the armed forces, feel the effects of reconversion unemployment. We do not expect this period of slack work to be prolonged, for we know that as soon as adequate piece goods are available, we will be busy making suits and overcoats for men returning from overseas. But the present depleted pay check brings freshly to mind the memory of the depleted or absent pay check that haunted us during the depression and the recession of 1937 and 1938, when there was not enough purchasing power in the country. That is why we know that our own full employment, like that of all other workers, depends on the maintenance of consumer purchasing power through higher minimum wages as well as other means.

You Senators have already heard testimony bearing on the fact that America is not adequately clothed. Several of the witnesses who testified before your committee last year urging the Congress to adopt the Pepper resolution told you that their husbands had not been able to buy a suit of clothes in as long as 18 years. As a matter of fact, in 1939, one of the best prewar years in the men's clothing industry, the industry produced only one-half suit for each adult male in the country. And since there are always some people who buy more than one suit a year, this means there are millions who do without altogether. If low-wage workers could be assured that their minimum earnings would not fall to 40 cents an hour, they would not be afraid to buy that sorely needed suit of clothes, and men's clothing workers would be assured of full employment.

But I don't want you to think that our interest in this bill is a selfish one. We realize that this measure is actually an urgent and emergency measure for millions of American workers, and I am here to let you know that the men's clothing workers stand united with all other workers in support of this measure which will help maintain our economy at a level which will make a decent standard of living possible for everyone.

EXHIBIT 83

STATEMENT SUBMITTED BY ALBERT J. FITZGERALD, PRESIDENT, UNITED ELECTRICAL, RADIO, AND MACHINE WORKERS OF AMERICA, CIO

The close of the greatest war in history finds the American workers determined to win the peace. Having prevented the catastrophe of fascism from overwhelming the world, they are in no mood to tolerate the reappearance of those conditions making possible its rise. They want to see those Siamese twins of fascism and war, unemployment and starvation, banished from the earth. And they recognize clearly that the best way to accomplish this is to start the ball rolling right here at home. That is the reason behind their determination to establish a full production, full employment economy in America.

To continue the high levels of production and income that prevailed during the war it is imperative that wages, especially in the lower income brackets, be raised. President Truman, Secretary of the Treasury Vinson, Reconversion Director Snyder, and Secretary of Labor Schwellenbach, have all indicated the necessity of increasing wages, particularly those falling below what is needed for a fair and decent standard of living. As President Truman so aptly put it in his message to Congress, "The foundations of a healthy national economy cannot be secure so long as any large section of our working people receive substandard wages. The existence of substandard wage levels sharply curtails the national purchasing power and narrows the market for the products of farms and factories."

But it seems that Congress does not know this. For the past 2 or 3 years it has shown more concern in protecting the profits and the property of industry than in safeguarding the income of labor. As a result, it has voted billions for businessmen, but not one thin dime for workingmen. This large-handed policy toward industry and empty-handed policy toward labor have combined to make American workers fighting mad. They are determined to hold Congress to strict accountability for the human side of demobilization. And they will not take no for an answer. They want favorable action and they want it now.

That is why we in the United Electrical, Radio, and Machine Workers of America, CIO, representing 700,000 workers in the electrical machinery industry, are here today to urge the passage without delay or crippling amendments of the Pepper substandard wage bill (S. 1349).

This measure, cast in the form of an amendment to the Fair Labor Standards Act of 1938, has the unqualified endorsement and support of the United Electricians. By establishing an immediate minimum wage of 65 cents an hour during the first year after passage and by requiring a minimum hourly rate of 70 cents during the second year and 75 cents after the expiration of 2 years, the pending legislation represents a definite step forward in the attainment of a full-employment economy. Besides, by broadening the coverage of the Fair Labor Standards Act to include food processing workers and merchant seamen, and by providing for the recommendation by industry committees of minimum wage differentials for jobs which should pay more than 75 cents an hour, the proposed Pepper bill is designed to prevent the idea of full employment from being used as a disguise for human exploitation.

About 22 percent of those working in the electrical machinery industry earn less than 65 cents an hour. A large proportion of these are in unorganized shops or shops organized in other unions. In the shops organized by the United Electricians the payment of substandard wages is due to the prevalence in the industry of historic wage differentials based on sex. As a union, we have fought vigorously and consistently against any discrimination of women and, as a result, we have narrowed down that discrimination. If historic differentials, which constitute a real discrimination against the women of our industry, are done away with, substandard rates of pay, as defined in the Pepper bill, will be eliminated.

The Pepper bill, if passed, would automatically eliminate a good part of this discrimination against women. Since the minimum hourly wage for men's jobs in the electrical machinery industry approximates 70 to 80 cents, the Pepper bill would bring the rates on women's jobs to the same level as men's jobs.

Just what is this historic differential in rates paid to women? Companies in the electrical field, such as the Big Two—General Electric and Westinghouse—have what they are pleased to call men's and women's jobs. Two separate rate schedules are kept with women's jobs being paid 15 or 20 cents an hour less than the men's job with equivalent job content. The differential which is maintained is not justified by the sytem which the companies have in effect to measure the job content of men's and women's jobs.

Both General Electric and Westinghouse pride themselves on the scientific and up-to-date job evaluation systems which they use to measure the relative worth of their jobs. These job evaluation systems measure all jobs on the basis of common characteristics, such as the education, experience, and aptitude required, physical and mental demands of the job, the responsibilities of the job, and the nature of the working conditions. For example, at the Westinghouse Newark meter plant, both men's and women's jobs are assigned points on the basis of the degree to which the aforementioned characteristics are present. Despite the fact that the job content of women's jobs is measured on the same scale of characteristics as are men's jobs, women's jobs are arbitrarily put into separate labor grades which pay rates 15½ cents an hour less than the equivalent male rate with the same job content.

The General Electric Co. also evaluates the job content of men's and women's jobs on the same scale of characteristics, but the rates for women's jobs are only

two-thirds of the equivalent scale rates for occupations with the same job content. According to the General Electric Job Evaluation Manual at the Erie works, "The value per point for day work performance is to be set to establish average day rates with a maximum permissible day rate of 5 percent above, while value per point for incentive performance is to be 15 percent higher than for day work. For female operators, the value shall be two-thirds of the value for adult male workers."

Companies have claimed that women's jobs are lighter than men's, or that additional male help had to be hired to do the heavy work for women, or that additional supervision was required, or that women merely operated machines and did none of adjusting of the machines. However, the job evaluation system provides for any lesser requirements that may be made of women. If a woman's job requires less heavy work, then she gets fewer points for "physical effort," or if her job requires more supervision or less machine adjusting then she receives fewer points for "skill." However, although the companies take these lesser job requirements into account when they evaluate women's jobs, they then go ahead and pay lower rates on the grounds that these women's jobs are "worth less."

At the Fairmont, W. Va., plant of the Westinghouse Co., where men and women produce electric fluorescent lamps and tubes, all women's jobs are paid less than the lowest men's jobs despite the fact that the Westinghouse Co. assigns a greater content to many of these women's jobs. The job "janitor" is assigned only 39 job evaluation points by the company and is paid at the rate of 75 cents an hour; the women's job "inspection, bead and seal—A," which requires fine inspection work under a microscope, receives 68 job evaluation points but is only paid 66 cents an hour. If this job were paid the equivalent male rate, it would receive 81½ cents an hour.

At the General Electric Fort Wayne plant, in Indiana, the same situation is true. There is no women's job which receives as much as the lowest man's job. The "sweeper" is paid 80 cents an hour whereas the woman's job, "wind rotor," which requires a substantial degree of skill and experience, is paid only 75 cents an hour.

SUBSTANDARD HOURLY RATES

This discrimination is prevalent throughout the entire wage structure of the companies. These two companies, the most technologically advanced in an industry which is itself a product of the science and research of the twentieth century, pay women rates below what is necessary for a decent standard of living. For instance, in General Electric's home plant, the Schenectady works, so-called women's jobs start at 55½ cents an hour, 16 cents less than the lowest hiring-in rate paid for men's jobs. At the company's River, West Lynn, Pittsfield, Fort Wayne, and Erie branches, starting rates for women's jobs are 56½ cents an hour, while at the Glass Bucyrus plant they are only 50 cents. In these plants men are hired in at 71 cents an hour.

In Westinghouse, women are likewise receiving rates of pay substantially below those given to men and below what is needed for a fair standard of living. In Westinghouse's home plant of East Pittsburgh, so-called women's jobs begin at 65½ cents an hour, 16 cents less than that assigned to common male laborers. At the company's Lima works, starting rates for women's jobs are 52½ cents an hour; at the Newark meter unit, they are 57½ cents; at the Sharon plant they are 56½ cents; and at the Fairmont plant they are 54 cents. The common labor rate for men at most of these plants is 78 cents an hour.

SUBSTANDARD SALARIES RATES

Like female production workers, salaried women employees in the electrical machinery industry receive substandard rates of pay as defined in the proposed Pepper bill. For example, in General Electric and Westinghouse, leaders in the field, women receive rates of below that assigned the lowest man's job—even below that of janitor. In both of these top-notch, superprofitable corporations, salaried women workers are given a starting rate of only 50 cents an hour and less. In the case of General Electric, salaried women employees are not advanced to 62½ cents an hour until 6 months later.

UNITED ELECTRICIANS FIGHT DISCRIMINATION

On September 18 and 19, 1945, the United Electricians appeared before the National War Labor Board to argue against the basically unfair practice of General Electrical nd Westinghouse to pay women on a separate and depressed

wage scale and less than wages paid to men for substantially the same kind of work. On the basis of the facts presented by us, the industry member of the board, Fred Clymer, declared that he had no doubt that there was discrimination against women in General Electric and Westinghouse as well as throughout the industry. At the hearings both companies spoke of a so-called "social wage" which Lloyd K. Garrison, the board's vice-chairman, attacked as no more than economic discrimination against women.

WOMEN NEED TO WORK

This idea of a social wage is used by those who advance the argument that women take jobs, not because they need them, but because they want to earn some extra pin money. Recent studies have conclusively demonstrated the fallacy of this argument. A survey recently made by the division of industrial relations of the New York State Department of Labor, in cooperation with the United Electricians, shows that 82 percent of the women working in New York State this year hoped to continue on their jobs, and that almost all needed to in order to earn their own living and provide financial support to their families. Other surveys, made by the Women's Bureau of the United States Department of Labor in Erie County, N. Y., and in the Dayton-Springfield area of Ohio, disclose the same pressing reason for most women wanting to continue on their jobs.

Today women have a greater need to work than ever before. In prewar years the United States Bureau of Labor Statistics found that 25 percent of the working women of the country were the chief wage earners of their families. World War II has robbed many American households of their male providers. War casualties will result in a great increase in the number of women who must support themselves and their children unaided. Moreover, the sharp cut in take-home wages will force more and more women to continue working.

LIVING COSTS UP

The inadequacy of the electrical industry's rates with respect to what it is pleased to call women's jobs has been temporarily hidden by the fact that during the war increases in take-home pay resulted from overtime and night work. With the end of the war in Europe and the Far East these props to income have disappeared. The elimination of overtime and night work has already resulted in a 26 percent pay cut for General Electric and Westinghouse workers. Accordingly, women find themselves increasingly hard-pressed to feed, clothe, and house themselves and their dependents.

Revealing in this connection are estimates made by responsible public and private research agencies concerning the income level required for a minimum standard of living. Last September, the division of women, child labor, and minimum wages of the New York State Department of Labor found that an unmarried woman working in the State, living in a furnished room and eating her meals in restaurants, required $1,807 annually to support herself adequately. The same study showed that the average working woman living as a member of a family needed $1,643 a year to maintain herself decently. The annual cost of the WPA maintenance-level budget, at 1943 price levels, was $1,673. Today it would be nearer to $1,730.

These studies, together with others, make it obvious that even a 65-cent-an-hour minimum wage rate will be insufficient to give electrical workers a standard of living which can be considered decent and healthy. Recently, the United States Department of Labor recommended a minimum hourly rate of 60 to 80 cents as necessary to provide a subsistence standard of living and added that soon that might not be enough because of the likelihood of a rise in the cost of living.

HEALTH OF WORKERS AFFECTED

Substandard wage rates adversely affect the health of workers. They bring with them malnutrition, sickness, and loss in job time. Today we know that a diet, in addition to satisfying hunger, must provide a sufficiency of specific nutrients required for health. Essential to good health are the so-called protective foods, such as milk, fruits, eggs, vegetables, and dairy products. These foods are relatively expensive. The poorer the family, the less protective foods they buy and the more cheap energy-yielding foods. Those in sedantary occupations require about 2,500 calories a day; those doing factory work around 4,000. It would be a good investment for American industry to improve the health of its workers. The elimination of substandard wages for women in the electrical machinery industry would constitute a tremendous step forward in the attainment of this desirable objective.

SUBSTANDARDS DEPRESS WAGES

Substandard rates in a plant, industry or area tend to reduce wage scales everywhere. We in the United Electricians know this to be a fact. Experience has taught us that substandard rates depress wages within a plant. For example, in General Electric's Pittsfield and Erie branches, women's jobs are now being called simple light repetitive jobs, and men's jobs are being called heavy, complicated jobs. The purpose of this change in names is to conceal the discriminatory nature of its rate structure, for the so-called simple job requires as much skill as the so-called heavy jobs. The company has stated that it does not care who works on these erstwhile women's jobs. Apparently it expects that a man will be paid the same substandard job rates of 59 cents hereafter that women were paid formerly. Westinghouse pursues a similar policy. By introducing jobs which it classifies as women's jobs, it lays the basis for lowering wages within its plants.

SUBSTANDARD RATES THREATEN SECURITY OF VETERANS

The rate structure in the electrical machinery industry, based as it is on substandard wages paid to women and sex wage differentials, represents a real threat to the 200,000 returning United Electrical servicemen. There veterans will find many of the jobs they come back to reclassified as women's jobs at lower rates of pay. To a considerable number of our veterans, then, a return to civilian live will be accompanied by a lower standard of living for their families, since their earnings will be less than were their family allotments during service in the armed forces.

SUBSTANDARD RATES DEPRESS INDUSTRY RATES

Substandard rates can also depress wage scales in an area and industry. Both General Electric and Westinghouse have already made plans and in some cases have actually begun to move departments and workers from high-wage to low-wage areas. During the past year, General Electric has leased a plant at Scranton, Pa., has purchased the Ken-Rad Tube & Lamp Co., with plants in Indiana and Kentucky, and has brought land at Albion, Mich., and Waterford, N. Y. About 4 months ago, General Electric was moving refrigeration from Schenectady, N. Y., to Erie, Pa., at a lower wage schedule. The establishment of a national minimum rate of 65 cents an hour, by limiting the depressed wages that could be paid in any area, would contribute much to stop the movement of plants from high-rate to low-rate regions.

INCREASE PURCHASING POWER BY ELIMINATING SUBSTANDARDS

Depressed substandard wages are to the disadvantage of American industry in general and of the electrical machinery industry in particular. They militate against the sale of electrical equipment by drastically reducing mass purchasing power. It is certain that men and women who are living on substandard or inadequate wages will not be in the market for costly refrigerators or washing machines. A study made some time ago by the Bureau of Labor Statistics points out the retarding effect that low wages have upon the market. It showed that in 1935–36 only 15 out of 100 families having incomes of less than $1,500 reported ownership of electrical refrigerators, whereas 54 out of 100 families in the next higher income bracket and 80 out of 100 families earning over $3,000 owned electrical refrigerators. The same relationship held here for other electrical appliances.

INDUSTRY'S ABILITY TO PAY

The electrical machinery industry is sufficiently prosperous to absorb the cost involved in the removal of substandard wages paid to women. In 1944 the industry as a whole showed a 434 percent increase in profits over prewar 1936–39 levels. Surely, it can afford the cost involved in bringing hourly rates up to 65 cents. A. F. Hinrichs, Acting Commissioner of Labor Statistics, recently estimated that the increase would come to only 2 percent. What is a 2 percent-increase to companies like General Electric and Westinghouse who have always been profitable organizations, and whose profits were enhanced during the war years?

In 1944 General Electric reported profits before taxes of $219,000,000, almost four times larger than in the peacetime year 1939. Net profits after taxes amounted to $62,000,000 in 1944, as compared with $41,000,000 in 1939. Like General Electric, Westinghouse has profited greatly during the war. Its profits before taxes increased from $17,000,000 in 1939 to $111,000,000 in 1944. Net profits after taxes came to $33,000,000 in 1944, $6,000,000 higher than that made in the boom year 1929.

Moreover, General Electric and Westinghouse expect to continue their profitable operations after the war. Both A. W. Robertson, chairman of the board of directors of Westinghouse, and Charles Wilson, president of General Electric, expect their companies to continue to operate at high levels of production.

Certainly at the present time both companies, and the industry as a whole, can take the step toward eliminating substandard wages at a comparatively small part of the reconversion costs.

WOMEN EXPLOITED

The prevalence of wage differentials based on sex which result in substandard rates paid to women produces superprofits for the electrical industry. Their contribution can be seen if we turn to the electric lamps division of the electrical machinery industry where the greatest portion of women are to be found. It is no accident that precisely in this division the value added by manufacture per worker is the highest. The 1939 census figures, the latest ones available in this connection, show that 77.3 percent of all those employed in the manufacture of electric lamps are women and that the value added by manufacture per worker is as high as $5,259. Contrast this with the value added by manufacture per worker in the field of generating, distribution, and industrial apparatus where women comprise only 18.6 percent of the total labor force. Here the value added by manufacture per worker is only $3,784.

As a result of this exploitation of women, General Electric's net profits on incandescent lamps for the period 1935–39 were estimated at from 65 to 88 percent of total costs and from 33 to 47 percent of the net worth of the company's lamp producing investment.

When a company breaks down women's jobs, it registers a twofold gain in costs. In the first place, it saves not only through a greater division of labor, but also through more automaticity of operations. Secondly, it saves by paying depressed wage rates on women's jobs. Thus, even if the company were to give women the same rate of pay as men—which, by the way, the company's own job evaluation system indicates it should—it would still profit greatly through increased efficiency.

INCREASED PRODUCTIVITY

Moreover, these companies have increased their productivity during the war. The War Production Board recently estimated a 25-percent man-hour increase in productivity during the war. Its estimate included such products as generators, turbines, and the like, which will continue to be manufactured in the postwar period.

A handbook on wage incentive plans published by the Management Consultant Division of the War Production Board showed what happened to productivity in specific instances when wage incentive plans were introduced in 1944. In a plant producing electronic tubes, there was a 65-percent increase in productivity; in production of electric connectors, a 55-percent increase; a 54-percent increase for photographic equipment; a 41-percent increase for power transmission machinery; and a 35-percent increase for radio equipment.

How these increases in productivity affect an individual company can be seen in the case of the General Electric Co. This company, which had no reconversion problem for a large part of its products, was paying 40 cents as a wage salary cost per dollar sales in the prewar years 1936–39; in 1944 its wage salary costs per dollar stood at a low figure of 32 cents.

Further estimates of productivity are given in the first progress report of reconversion in 42 selected industries issued by the War Production Board on August 25, 1945. Companies making equipment such as refrigerators, vacuum cleaners and the like expect to increase their base period production by 187 percent in June 1946 and their employment by only 133 percent. This reflects a net gain in productivity of 41 percent. Of course such increases in productivity are accompanied by great savings in labor costs.

ELIMINATE SUBSTANDARD WAGE RATES

Today, the electrical machinery industry, like so many others, is faced by the very big question of an expanding market. The present time is particularly favorable for electrical companies to help their workers keep at least a minimum of purchasing power. Current profits are such as to absorb easily the costs involved in establishing a minimum rate of 65 cents an hour.

If all electrical companies were ordered to do this, none could claim a competitive advantage. Sound competition is not grounded on lower and lower wages. Business firms ought to compete on the basis of which one is most efficient not on the basis of which one can sweat its labor the most.

For the electrical machinery industry the elimination of substandard wages means even more than protecting the living conditions, health and prosperity of our country. It involves a matter of paying women what they are worth according to the value of their work as measured by the industry's own job evaluation systems. The removal of substandards would represent a real step forward in doing away with economic discrimination against women.

That is why the 700,000 workers whom the United Electric represents urge the immediate passage of the Pepper substandard wage bill.

EXHIBIT 84

BRIEF

Filed by: National Fisheries Institute, Inc., suite 206, 1835 K Street NW., Washington 6, D. C.; NAtional 2216.
Before: Education and Labor Committee of the Senate.
Referred to: Subcommittee of Senator Pepper, chairman; Senators Tunnell, Thomas, Aiken, and La Follette.
Subject: Amendments to the Fair Labor Standards Act, S. 1349 and S. 1282.

The National Fisheries Institute, Inc., is a nonprofit corporation with its principal office in Washington, D. C. It has among its membership all the employer groups engaged in the producing, processing, distributing, and canning of fishery products in the United States and its territories. The institute is rather new, having only been permanently organized in April 1945. Promoting the welfare of the commercial fisheries of the United States, its territories, and possessions is its chief purpose.

The above-mentioned amendments of the Fair Labor Standards Act of 1938 vitally affect each segment of the fishing industry, and in particular the employer groups. These groups, as a matter of course, include most of the vested interests of the entire industry.

WHAT THE AMENDMENTS DO

Both amendments with respect to the fisheries contain this provision:

6. Section 13 of the act shall be amended to read as follows:

"SEC. 13 (a). The provisions of sections 6 and 7 shall not apply with respect to * * * or (4) any employee employed in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life, including the going to and returning from work."

The following has been left out of the original provision: "and including employment in the loading, unloading, or packing of such products for shipment or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing the above products or byproducts thereof."

It thus is apparent that the sponsor of these amendments intends that the exemption under the act should apply only to "offshore" fishermen. In round numbers, it is estimated by the Fish and Wildlife Service of the Department of the Interior that 90,000 shore workers are engaged in our commercial fisheries; this compared with 110,000 fishermen engaged in the "offshore" operations. The industry, therefore, as a whole can be said to be fairly well divided between "onshore" and "offshore" operations.

HISTORY OF THE EXEMPTION UNDER THE ACT FOR THE FISHERIES

No case is perfect without its history. To throw light on the matters now under consideration by your committee, we shall not delve into the extensive hearings held before the Senate and House before the Fair Labor Standards Act was passed by these two bodies, but we shall point out certain parts of the debate which appear in the Congressional Record. Here we get the last concrete evidence which Congress in its wisdom saw fit to act upon before finally passing the act.

In May 1938 when the House was considering amendments on the floor to S. 2475 (Fair Labor Standards Act), there were three or four proposed amendments under the "exemption" clause which pertained to the fisheries. The one which finally passed and later was adopted by the Senate is as follows:

"Amendment offered by Mr. Bland, page 58, line 11, strike out the words: 'any employee employed in the taking of fish, seafoods, or sponges' and insert in lieu thereof the following: 'any employee employed in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other acquatic forms of animal and vegetable life, including the going to and returning from work, and including employment in the loading, unloading, or packing of such products for shipment, or in propagating, processing, marketing, freezing, canning, curing, storing, or distributing (Congressional Record, p. 9781, May 24, 1938).

Congressman Bland for years has been termed the "sage" of the fishing industry. For years he has fostered and supported legislation beneficial to it without prejudice to any one segment. In sponsoring the amendment above referred to, we herein quote some of the remarks made by Mr. Bland in the May 24, 1938, Congressional Record. After offering the amendment the first time he stated:

"Mr. Chairman, if this amendment is adopted, there will be offered in section 11 an amendment containing the necessary exemptions with reference to this industry.

"It will be noted that in this particular section agriculture is defined. It was interested in the remarks of the prime mover of this legislation, the gentleman from Massachusetts, in which he said that obviously agriculture should be exempted. By all the rules that apply to agriculture, and then some, the fishery industry ought to be exempted. If there is any industry under heaven that cannot measure its operations by the rules that are applicable under this bill, it is the fishing industry. It is varied in the different sections of the country, almost, as the different fishing sections themselves, some by reason of participation in the fish caught, some by reason of wages, as well as various other operations. The industry is confronted not alone by the vicissitudes that apply to agriculture, but also wind, wave, action of the tide, fogs, and various other conditions that must, necessarily, determine operations in the fishery industry. You may legislate all you please as to the number of hours, but the fish that are running will not obey your legislation. [Laughter.] You may legislate all you please with respect to any provision in this bill, but when it comes to fogs and waves and wind and tide you are dealing with a situation that is far beyond this bill or the operation of any bill. You are dealing, when you deal with the fishery industry, with a condition that needs assistance, that needs help, and has received just about as little as any industry in the country.

"When the tariff law was written, fish were not being imported in the large quantities that they are now and fish were largely on the free list. The result is that we today are confronted not alone with various vicissitudes in this country, but we are confronted with Japanese fish coming into this country, and some taken practically from our own borders.

"I ask you, in defense of this great interest, that it be given the same benefits that are given to agriculture." [Applause.] Pp. 9747 and 9748.)

Again after Mr. Bland had introduced his amendment, which passed, he stated:

"Mr. Chairman, I realize the apparent concession which was just a moment ago made, but I am not satisfied that the statement on the floor of the House is a sufficient concession for the Department to interpret that to be law, which by the express language is not law. This amendment is not the same. In the last amendment I was trying to define the fishery industry. I am now dealing with those persons in agriculture. It is said that persons employed in agriculture are exempt, and yet when we deal with the fishery industry, we exempt only those who are employed in taking fish, seafoods, and sponges.

"In other words, if you were to apply the same amendment to agriculture, you would exempt only the persons that are gathering the potatoes from the field, only the persons who are gatherng the corn that has been raised, only the persons who are picking the cotton. You would not exempt the essential industry, the essential work, and essential employment that goes into the taking of the fish. In other words, when you are dealing with the nets in the sea you are not exempting the persons who have the labor of putting down those nets, you are not exempting the persons who again and again must go out to put out the nets, but you are exempting only the person who goes out and actually takes the fish out of the net after they are collected. By no process of interpretation of the English language can we make this amendment do that which I believe the committee intended it to do" (pp. 9781 and 9782).

During the same debate, when exemptions were sought for agriculture, Congressman Mott made the following comment concerning the exemption for the fisheries:

"Mr. Chairman, I cannot agree with the gentleman from Wisconsin that

adoption of the Coffee amendment would exclude from the provisions of the bill the many articles he has named. According to the list he read, the Coffee amendment would exempt practically everything from textiles to automobiles. I do not believe that is a correct interpretation of the amendment. However, if it is, and if the amendment is to be adopted, then I think we certainly ought to include among the exemptions in this bill the processing of a product as perishable as fish.

"Mr. Chairman, fish must be processed and canned on the day they are caught. The canneries must operate every day and usually they must operate every night when the fish are being taken. In this respect there is no diference between a salmon cannery and a fruit cannery. There is every reason why the processing of fish should be exempted from the provisions of the pending bill if the processing of fresh fruits and vegetables is to be exempted. That is all my amendment undertakes to do. It simply adds the words "fisheries or sea-food products" to the provisions of the Coffee amendment" (p. 9761 and 9762).

It can be well seen that Congress in 1938 believed there could be no distinction drawn between the "off-shore" and the "on-shore" workers in the fishing industry. As far as we have been able to ascertain, there is no more reason to make a differentiation in 1945, as far as workers or employees are concerned, than there was in 1938. The industry is beginning to level off after having been faced with many wartime restrictions.

ADMINISTRATION OF THE FAIR LABOR STANDARDS ACT IF THE AMENDMENTS ARE ADOPTED

By reason of the institute's being a new organization, it is not fortified with figures to give Congress a complete picture of the earnings of employees in different segments of the industry. In this brief, the committee will therefore please excuse us from this phase. There are, however, several matters which have come to the attention of the institute which have to deal with the practical application of such legislation if adopted. One is, can it be administered properly?

Many shore workers in the fishing industry are engaged part time in agriculture. The latter industry is exempt under the act. Suppose, for example, that a farmer in North Carolina employs three farm hands 3 hours in 1 day as agriculture employees and 6 hours the same day on shore handling river herring which run in abundance in certain rivers of that and other States during periods of the spring. And suppose, further, that this exists for a whole week. Will the farmer-fisherman, or employer, obey the law? Will the Government be able to enforce it if he does not? This example is typical of many overlapping and integrated operations when agricultural and fishery commodities are involved. In the South, shellfish and agricultural commodities are often handled by the same labor.

Because of the uniqueness of the fishing industry Congress has had to exercise caution when passing laws attempting to control it. When caution has not been exercised very unsatisfactory results have occurred. Reference is made to the establishment of price ceilings for shrimp. It is common knowledge in the industry and among Government officials alike that the greater percentage of this commodity moved on a black market. Any move to police the industry has gone for naught. While the Government has not removed its ceilings, nevertheless the order establishing them has proven administratively impossible of enforcement.

Another example of how difficult it would be to administer the act if the proposed amendments are enacted into law is brought out by a recent decision of the Interstate Commerce Commission arising under the Motor Carrier Act. In this case the Commission finally ruled that all fish and shellfish are "processed" unless they are transported in the manner and form that they are taken from the water, dead or alive. If this holding is correct, the fishermen who head or gut fish at sea would fall in the class of "processors." This raises two questions:

1. Are fishermen, who are exempt under the amendment for their off-shore duties, to be exempt when fishing and not exempt when heading or gutting fish?

2. If headed and gutted fish are not processed because the work is done at sea, who will be able to determine if fish in the wholesale or retail channels of distributors were processed in that manner or the heading and gutting done on shore?

We submit that the two methods of heading and gutting fish are followed quite extensively.

WILL THE AMENDMENTS FORCE THE PRICE OF FISH TO A DANGEROUSLY HIGH LEVEL?

Because of a scarcity of protein food, chiefly meat and poultry, the fishing industry during the war has enjoyed widespread prosperity. In fact, the scarcity of meat and poultry has caused fish prices to rise to speculatively high prices. But even with high prices the minimum wage paid to workers in certain parts of

the South is 50 cents per hour for women and 60 cents per hour for men. These figures were obtained from the Fish and Wildlife Service of the Department of the Interior. This Department estimates that the southern industry (all States south of Maryland and along the Gulf to, but not including, California) would have to pay $2,600,000 more than at present for the first year under the 65-cent-per-hour minimum and $4,900,000 under the 75-cent-per-hour minimum. With the added production costs it is quite natural to assume that higher prices than wartime prices would be sought by persons who sell to consumers. Since fish prices are abnormally out of line already with competing products, the effect of the amendments might sign the death knell of the southern industry. Furthermore the inland distributor who sells southern fish and sea food in competition with meats and poultry would suffer a like effect.

NO SUBSIDY FOR FISH

At the present time the financial structure of the fishing industry is built on rugged individuals who own it. There is no subsidy to support it when the lean years come along, and for this reason the Congress cannot afford to take chances by experimenting with laws which might aptly apply to other industries having subsidies.

Furthermore, the law of supply and demand has operated to the satisfaction of most of the industry. The supply of fish, because they are unseen until caught, is regulated by nature. As Congressman Bland stated when the original exemption was enacted for the entire fisheries, "You may legislate all you please as to the number of hours, but the fish that are running will not obey your legislation."

CURRENT INFORMATION CONCERNING CONSUMPTION AND PRICE FIGURES FOR FISHERY PRODUCTS

In order that this committee can get a pretty clear picture of what has happened in the fishing industry during the first week of October 1945, we submit a report from the Fish and Wildlife Service of the Department of the Interior, which reads as follows:

"Both New York and Chicago report fresh-water market sluggish. Chicago sales off 40 to 60 percent with country outlets not buying and eastern dealers offering prices below ceiling, some species. New York reports fresh-water price decline very evident and demand poor despite light supply.

"New York reports salt-water market sluggish although little price change. Resistance in moving most items. Boston reports drop in retail sales locally from month ago of 25 to 30 percent retail counter sales generally and 50 percent in chainstore sales. Prices unchanged. Expects unions limit catch if prices drop.

"New Orleans reports 40 percent drop retail sales and 15 percent in restaurant consumption with at least one producer beginning freezing. Jacksonville says prices Spanish mackerel down 5 to 7 cents and mullet 1 to 2 cents per pound with decline of 15 to 25 percent in demand.

"Increased meat and poultry supplies and reduced ration-points requirements claimed mainly responsible. Boston also blames lack of popular varieties, high prices for fish, and reduction of Government requirements, while New Orleans claims lack of fats for frying also responsible."

Because of the fact that the bottom seems to be falling out of the fishing market, the board of directors of the National Fisheries Institute, Inc., at its meeting in Chicago, Ill., on October 9, 1945, sent the following wire to Mr. Chester Bowles, Price Administrator:

"The directors of the National Fisheries Institute, Inc., representing all sections of the Nation, at a meeting this afternoon unanimously adopted a resolution petitioning the Office of Price Administration to immediately remove all ceilings on fish, shellfish, and fishery products. Current Fish and Wildlife Service reports indicate a decline in sales ranging from 20 to 60 percent in many areas. Prices on uncontrolled species have already declined drastically. Fish prices in general are too high, thus making it impossible for the industry to compete with other food products, which are becoming increasingly plentiful. Removal of all ceilings will stabilize distribution and provide an increased supply with a general lowering of prices to the consumer. Prompt consideration of this matter is urgently requested."

While the above information does not directly bear on wages and hours, it does substantiate our position that in dealing with a commodity as perishable as fish most anything is likely to happen in the price structure. It is quite evident that the public demand for fish, when certain other foods are plentiful, is not sufficient to permit the cost of fishery products to be driven to artificially high levels.

THE THWARTING OF NEW INDUSTRIES

At the present time there is under way on the west coast the construction of a factory ship which will catch and process fish and sea food on the high seas. The labor to be employed on this ship will be by contract, and there will be taken into consideration the amount of room, board, and keep paid by the employer when the employee's salary is computed. The provision in the amendment under discussion will be very dangerous in the minds of the persons who are financially interested in this factory ship. Furthermore, at a time when the fishing industry is attempting to increase the consumption of its products by such new methods as above described, the feeling is that there should not be any further money invested in such experiments, if the exemption, which is now provided for the fishing industry under the wage and hour law, is taken away.

Under our lend-lease arrangement with Russia, this Nation in 1942, on the west coast, equipped a number of modern factory ships for the Russians to use in catching and processing fish on board. Members of our industry feel that every effort should be made to give our industry an incentive to build up our own factory ships rather than build them for a competitor which will fish in the same areas as our own ships. Unfavorable labor legislation only plays into the hands of our foreign competitors. The least we think we can ask is for the Congress to leave the Fair Labor Standards Act as it is rather than embark on an uncharted course.

Respectfuly submitted.

RAYMOND E. STEELE,
Assistant General Manager, National Fisheries Institute, Inc.,
Washington 6, D. C.

EXHIBIT 85

To the Subcommittee of the Senate Committee on Education and Labor of the Congress of the United States of America:

In the matter of a hearing called by the subcommittee of the Senate Committee on Education and Labor Relative to S. 1349

STATEMENT ON BEHALF OF THE ALASKA CANNED SALMON INDUSTRY IN REGARD TO S. 1349 AS SAME RELATES TO SECTION 13 (a) (5) OF THE FAIR LABOR STANDARDS ACT

The Alaska Salmon Industry, Inc., herewith presents a factual statement relative to the Alaska canned salmon industry. The purpose of this statement is educational and to demonstrate the unnecessity, as well as the economic inadvisability, of amending section 13 (a) (5) of the Fair Labor Standards Act as is contemplated under S. 1349. It is desired, at the convenience of the committee, to present a complete picture of this industry through moving pictures, exhibits, and oral testimony of qualified witnesses. In the interests of brevity the present statement will be confined to a summary of uncontestable facts.

ALASKA SALMON INDUSTRY, INC.

The Alaska Salmon Industry, Inc., is a nonprofit corporation, organized for the purpose of handling collective bargaining, labor relations, and other related matters affecting employers engaged in the Alaska canned salmon industry. In normal times there are from 100 to 110 operating salmon canneries in Alaska. The members of the Alaska Salmon Industry, Inc., are the companies and concerns who operate these canneries. They pack in excess of 95 percent of the salmon produced in the territorial waters of Alaska. The average pack of canned salmon in the Territory of Alaska is between six and six and one-half million cases. A case represents 48 1-pound cans. The value of the pack in 1945 was approximately $60,000,000.

THE EMPLOYEES

The employees in the Alaska Canned Salmon Industry are completely unionized. The Alaska Fishermen's Union has been in existence since 1903, and collective bargaining with that union dates back to that time. The collective bargaining power of the unions is much stronger than that of unions dealing with employers within the continental United States. This is because it is necessary for the industry to recruit the majority of its workers in the United States and transport

them to Alaska. The unions are therefore in a position virtually to dictate the terms and conditions of the contract before the men will sail. They have always had ample strength. The majority of the unions are commonly referred to as "nonresident unions" as they have jurisdiction of the employees who are transported from Seattle to Alaska for the season. There are also some local unions throughout Alaska, but in almost every instance they are an affiliate of one of the nonresident unions. The principal unions representing the employees in the industry are as follows:

Alaska Fishermen's Union, afiliated with the International Fishermen and Allied Workers of America, CIO.
International Association of Machinists, Locals No. 79 and 239, AFL.
Food, Tobacco, Agricultural and Processing Workers of America, CIO.
District Council of Carpenters and Local 1184 of United Brotherhood of Carpenters and Joiners of America, AFL.
Seafarers' International Union of North America, AFL.

There are normally approximately 23,000 people who earn their livelihood in the Alaska canned-salmon industry and who belong to the unions with which the Alaska Salmon Industry, Inc., has contracts.

THE ALASKA SALMON INDUSTRY—ITS UNIQUE POSITION IN INDUSTRY

It may be said that the fishing industry has always occupied a unique position with reference to wage and hour matters. A general understanding of the facts which confront the industry clearly establish well-founded reasons for the differentials in working hours and overtime pay rates between it and all other industries. This is particularly true with reference to the Alaska canned-salmon industry.

ALASKA—GEOGRAPHICAL PROBLEMS

The word "Alaska," until recently, carried little meaning to the average person. Alaska has now sprung into prominence because of its military importance. Yet those who have not visited the region can hardly appreciate its size and its distances, nor the scattered nature and fewness in number of its population. Seattle is the nearest large American city to Alaska. Yet it is more than 600 miles from the nearest Alaska cannery. And Bristol Bay, in which are located some of the largest cannery plants, is more than 2,000 navigation miles away.

Even the construction of the new Alcan Highway is of no commercial advantage to the salmon canneries. The only approach for the canneries is by boat or airplane. Everything, everybody (except some local labor supply in the case of a few canneries), must be transported by boat or plane. Everything, everybody, must be rushed north in the early summer and rushed south in the last of summer by boat or plane. Naturally, even in peacetime, planes can carry out but a small fraction of the personnel involved.

THE SALMON

Salmon spawn in fresh water lakes and streams. They go to sea as very small fish, known as fingerlings, usually in their first or second years. Their substantial growth takes place in ocean waters. They return normally to the identical lake or stream in which they were spawned in from 2 to 7 years, depending principally upon species, partly upon geography. They then spawn and die. They do not reach their physical perfection for food purposes until they reach the maturity stage in which their instinct causes them to leave their salt-water feeding ground and head for their home streams. Once they enter the fresh water (with certain exceptions which for canning purposes may be disregarded) they stop feeding and commence physical deterioration. Hence, there is only one proper time, from the biological, economical, and wholesome food standpoints, when salmon should be caught, and that is just as they are approaching the streams in which to spawn. The result is that salmon canners are scattered along the shores of Alaska, sometimes on the mainland, frequently on islands, over a shore-line distance of roughly 2,000 miles, where they will be convenient for their boats and gear to intercept the incoming migration.

The law, furthermore, requires that salmon be canned within 48 hours after being caught; and the canneries themselves, in order to secure the highest quality product, have adopted the principle of canning within 24 hours. To this end, fishing boats which operate directly in connection with any cannery are required to report to the cannery at least once in every 24 hours, in order to insure the freshness of the fish.

ISOLATION OF EACH OPERATING UNIT

These various factors contribute toward scattering the canneries geographically so that each one will be able to obtain its fish within close range. They also explain, in part at least, why most canneries are situated in isolated spots which, in most instances (except for the winter watchmen), are practically abandoned except during the very short summer period of intense activity. Even in those instances in which there is not complete isolation, the communities in which any canneries are located are mere villages. The very largest of them, Ketchikan, is a town of only five or six thousand people.

SHORTNESS OF THE FISHING SEASON

The salmon run, itself, takes place only in summer. In some places such as the Bristol Bay district, the run is normally congested into less than 30 days. In hardly any district does it exceed 6 weeks. In addition to these time restrictions imposed by nature herself, the Government, for sound conservation purposes, adds its own time restrictions. In Bristol Bay, for instance it is illegal to fish excepting during the period from June 24 to July 25, and even within these dates there are weekly periods closed to fishing, so that the actual number of days in which fishing may legally be pursued is not in excess of 22 days.

To pursue this Bristol Bay illustration a little further, it should be noted that the annual pack of canned salmon in the Bristol Bay area in normal years is from 1,000,000 to 1,500,000 cases of salmon (a case being 48 1-pound cans). In other words, in a period of 30 days, from 48,000,000 to 72,000,000 cans of salmon must be fully processed and this processing done within 24 hours after the fish are caught. Even during this short 30-day period, during only a portion of which operations can continue, there are enormous variations in the supply of fish from day to day, primarily due to the unpredictable variations in the run of the fish and the character of the weather.

CHARACTERISTICS OF THE INDUSTRY

All of the foregoing contribute to the natural, in fact, the inevitably peculiar characteristics of this Alaska salmon industry: that it is all congested within a very short period of time, and that even within this short period of time there is enormous variation in intensity of operation, with periods of complete slack and idleness varying with periods of extreme activity. Nature does not wait for man's convenience. The salmon must be canned immediately. Otherwise, there will be a spoilage, economic waste and shortage of this essential food supply.

THE FISHING DISTRICTS—FEDERAL REGULATIONS

There are 19 separate fishing areas as established by the Fish and Wildlife Service. Fishing in the Territory is controlled entirely by the Fish and Wildlife Service of the United States Government. The Secretary of the Interior by congressional authorization promulgates and issues regulations annually, governing fishing for each year. These regulations control opening and closing dates of each one of the 19 established fishing areas as well as the type and amount of gear, etc., which may be used. They are amended, however, from time to time during the season by supplemental orders.

The season in the various areas varies, but generally speaking any particular area is not open for more than 6 weeks and the greater portion of the catch within any such area is made within a 10-day period. The opening and closing dates in the various fishing districts have no relation to each other but are based on the history of the run within that particular area. It is the endeavor of the Fish and Wildlife Service to open the season in each area after some of the run has gone by and to try and close it before or at approximately the time the run reaches its intensity so as to insure an ample escapement.

FLUCTUATION IN CATCH

There is a very wide fluctuation, however, in the amount of the commercial catch during the dates when fishing is permitted. The average cannery puts up from 75 to 80 percent of its annual pack within a 10-day period, although the fishing season itself as set under the regulation might be as much as 6 weeks. Experience has proved that it is impossible to tell just when these fish are going to arrive as far as dates are concerned. Some years they may be early and some years they may be late, which also throws the true run out

of proportion to the fishing season. In any area from year to year there might be practically no fish at all through the entire season. There is not a single year but that at least 1 of the nineteen districts proves to be a serious economic failure and some times several of them.

THE UNION CONTRACTS

The Alaska Salmon Industry, Inc., negotiates approximately 35 union contracts covering various phases of fishing and canning operations. A few of the contracts are of general application throughout the territory, but most of them are on a district basis. These districts are generally known as Southeastern, Copper River and Prince William Sound, Cook Inlet, Kodiak Island, Westward, and Bistol Bay. There is a great variance as to the fishing methods, type of gear, etc., within these six districts and also a considerable variance in type and species of salmon, all of which play a very important part in collective bargaining negotiations. All of the contracts provide for a minimum wage rate well in excess of the eventual contemplated rate of 75 cents an hour under S. 1349. It is only an exemption as to minimum hours that the proposed act has any application to this industry.

SALMON FISHING AND CANNING ARE INTERDEPENDENT OPERATIONS

There is no distinction recognized between the fishing and canning operations in Alaska. They are one interdependent operation. The success or failure of a canning operation in Alaska depends upon both fishing and canning. The operation entails fishing for salmon and canning of salmon in a complete process.

THE CANNING EXPEDITION

The history of the industry shows that it grew up under conditions whereby the whole operation, the whole expedition, the whole group was fitted together in Seattle or San Francisco—fishermen, cannery workers, machinists, carpenters, superintendents, supplies, cans, cartons, etc., along with doctors, nurses, first-aid equipment, etc.—everything essential or necessary to the conduct of the operation was assembled and all the people necessary were assembled and they were taken to the canneries on a ship, put ashore there with their supplies. The ship laid at anchor on the anchorage and the anchorage in that area is 10 or 12 miles offshore, and they waited until the season closed and then everybody, the same people who came up on the ship, came back on the ship, and in addition they brought back the canned salmon which they had produced during the season. That method of operation was continued throughout the years with reference to the Bristol Bay district, with the exception that during the present war, the War Shipping Administration requisitioned all of the vessels of the industry. The same general method of operation, however, has been followed, even though the companies no longer had their vessels.

THE EXPEDITION OF TODAY

It is still necessary for virtually all canneries in all districts, where they do not operate their own vessels, to make special arrangements by charter, contract, or otherwise with a steamship company to take up their employees, inventories, and supplies to the canneries at a particular time. Upon arrival it is necessary for the employees to do the longshoring work in connection with the unloading of the vessels as the canneries are located in isolated areas and there is no one else available to do it.

As the territory tended to develop, particularly after the discovery of gold, commercial transportation was established in some parts of the Territory. As a result, in southeastern Alaska and other sections of the Territory commercial transportation is used but still on an expedition basis by mutual arrangement or negotiation. The cannery operator works out an arrangement with one of the commercial transportation companies to send a boat of an agreed type of so much freight and so many passengers to a cannery on Kodiak Island or on the Peninsula or on Prince William Sound, or wherever his operation is located. The company accumulates the supplies at the commercial dock and gets its crew together there on a given date and that is the method they have used in later years. Some of the canneries at Ketchikan and Wrangell have an opportunity to take advantage of a certain amount of scheduled transportation to handle crews and supplies, but the ordinary cannery is located in what you would call an isolated area. It is not in a town or general point of call for any commercial transportation. It is therefore necessary to work out by negotiation and as near to mutual satisfaction as possible with the steamship company, a schedule where the ships will be diverted from their normal run or special sailings will be set up to call at the canneries in the spring when the crews are moved in and in the fall when they are moved out.

The most northwesterly terminus in Alaska of regular commercial steamers is Seward. There are no normal routes, as far as ordinary commercial shipping is concerned, beyond Seward. The fishing and cannery supplies going up and the canned salmon coming back constitute the majority of freight both ways.

It is the historical practice when the crews are made up to include a complete operating unit for fishing and canning.

OPERATING COMPARISONS OF DISTRICTS

There are varying weather conditions in the areas, all of which, however, are of such a nature to have a considerable bearing upon the operation. In Bristol Bay the ice and snow and tidal conditions are severe handicaps and only allow a minimum of time to get the cannery prepared for the opening of the season, and a minimum of time for putting away the boats and gear, dismantling of machinery, etc., at the end of the season. In the more southerly areas very severe storms are incurred and in excess of 13 feet of rainfall a year.

SALMON IS NOT WAREHOUSED IN ALASKA

It is essential that the canned salmon be removed from the canneries and to the States as soon as possible to protect it from freezing and elements of the weather. It has never been possible or commercially feasible to warehouse canned salmon in Alaska throughout the winter.

PRESEASON AND POSTSEASON WORK

In the performance of preseason and postseason work each and every member of the crew is an essential and interdependent part of the canning and fishing operation. The culinary crew much go in with the expedition. Men must be fed and this cannot be done without providing cooks and a culinary crew. The boats, gear, traps and nets, cannery machinery and equipment must all be made ready for the commencement of the fishing season. The work of carpenters, machinists, storekeepers, bookkeepers, and timekeepers, during the season, as well as preseason and postseason, cannot be segregated from or said to be any less a part of the general fishing and canning operation than that of the man who does the actual fishing or actually places the fish in the can, during the actual fishing and canning season. They are all cogs in a single interdependent work unit. The work of carpenters, machinists, and beach gang is just as much a functional part of the processing of the salmon as the preparation of boats and gear is part of the catching and taking of fish. It is all work which has a necessary and direct relationship to the processing and canning of the salmon. All of the members of the crew are as much a part of and just as essential to the catching, taking, processing, and canning of the salmon as any other member of the crew.

FISHING AND CANNING ARE INTEGRATED

The operations both onshore and offshore are integrated and they are continuous. If the fishing operation produces more fish than the cannery can pack, then the fishing or some portion of it must be discontinued, because there is no object to transporting fish into the cannery beyond the capacity the cannery can handle. In fact, the law prohibits this because in so doing it prohibits the wanton waste of food, so the entire operation must be synchonized at all times as we follow the operation through to the temporary warehouses—salmon cannot be stored in the open in portions of Alaska, particularly southeastern and Prince William Sound, because of the heavy rain. When warehouses become blocked, the cannery must stop, and when the cannery stops the fishing must stop. So there is a provision in all of the contracts which permits the cannery to take a fisherman, number of the tender crew, a seiner, gill-netter, or anybody else anywhere and put him to work in the cannery; put him there as a slimer, a retort man or, as happens frequently, call him in to do longshoring, to lay his boat up, because the salmon must move in order to clear the warehouse and permit the operation to continue. The superintendent cannot ship the crew home until the salmon is loaded and gone. If he does there would be nob dy there to load it when the ship came in, so he must hold his crew, or enough of his

crew, to load the salmon before he can close the cannery, because he cannot with any margin of safety go away and leave the salmon there.

THE FAIR LABOR STANDARDS ACT AND COLLECTIVE BARGAINING CONTRACTS

The existing contracts between the unions and the industry are inconsistent with the provisions of the Wages and Hours Act. It would be impossible to apply the act to them. In virtually all cases the employees are granted a guaranty, generally in excess of the work period. A basic wage by the month or by the season is paid and is in effect from the time of embarkation at Seattle until return. This basic wage only covers hours of work between 8 a. m. and 5 p. m. It is paid regardless of extended periods of idle time throughout the season when only a few hours of work are performed on slack days but nevertheless considerably exceeds all proposed minimum wage provisions of S. 1439. Any work which is performed after 5 p. m. is paid for at what is called an overtime rate, although it is not overtime in the true sense of the word, because it may be that no work was performed during the period from 8 to 5. A penalty rate is payable for all work performed after 10 p. m. and before 8 a. m. The overtime rate or a special rate is also paid in addition to the basic rate with reference to work such as longshoring, even though that work might be performed between the hours of 8 to 5. In some areas there is no overtime hourly rate during the fishing season as employees are paid a percentage or lay, in lieu of overtime, which is based upon the size of the pack. This has been a very remunerative method of pay for the employees. There is no record of hours kept. The employee is merely paid a basic rate plus an agreed amount for every thousand cases packed at the cannery. These pay and work conditions are all the result of collective bargaining and are peculiar to the Alaska canned-salmon industry.

There have never been negotiations with any union or collective bargaining with any union on the basis that the Fair Labor Standards Act was or should be applicable to any labor performed under any of the contracts. Nor has there ever been any contention in negotiating existing contracts that the Fair Labor Standards Act was applicable to this industry. There has never been a claim presented by any union for adjustment or settlement which was predicated upon the Fair Labor Standards Act. The union contentions in negotiations with the Alaska Salmon Industry, Inc., and their demands have been contrary to the theory of the Fair Labor Standards Act.

THE NRA CODE AND EXECUTIVE ORDER 9240

That maximum hours restrictions in this industry are economically unsound was pointed out by the Honorable Hugh S. Johnson, NRA Administrator, in his report to the President of the United States, under date of May 15, 1934, relative to NRA Code No. 429, covering the canned-salmon industry, in which he said:

"It is impossible in this industry to provide for any substantial increase of employment except by requiring enough personnel in each cannery for a two-shift operation inasmuch as 75 percent of the labor must be transported 2,000 miles, or more, and the volume of work to give double-shift employment normally occurs only on 2 or 3 days of the season. A double-shift requirement would be entirely unreasonable and would increase costs out of all reasonable proportion to existing conditions. * * * Statistics gathered over past years indicate that the average hours worked by a cannery employee from the date of employment to the date of discharge are not excessive due to long inactive periods combined with comparatively brief periods of long hours. While overtime has not been paid generally, it is provided for in the case of cannery workers who are employed on an hourly basis outside of Alaska."

* * * * * * *

"A large percentage of the fishermen are taken to Alaska under collective bargaining agreements negotiated by the Alaska Fishermen's Union. The terms of these agreements are very advantageous for the fishermen, and the relationship between the Alaska Fishermen's Union and the employers is entirely satisfactory."

It is apparent to anyone having a knowledge of the fishery industry that it is impossible to operate upon any set schedule of working hours. This was realized by the Secretary of Labor with reference to the application of Executive Order No. 9240. The Secretary of Labor, under date of June 7, 1943, made the following determination:

"Upon application of interested parties for an exemption of the fish-processing industry in the States of Washington, Oregon, and California, and in the Territory of Alaska from the provisions of Executive Order 9240, and after an investigation of the relevant factors bearing upon this application, I find that the nature and exigencies of operations in this industry make it necessary and advisable for the successful prosecution of the war to determine that the provisions of Executive Order 9240 shall not apply to the west coast and Alaska fish-processing industry as defined herein.

"Now, therefore, by virtue of the power vested in me by Executive Order 9248, it is ordered that the provisions of Executive Order 9240 entitled 'Regulations Relating to Ovetime Wage Compensation,' shall not apply to employees engaged in the processing of fish, including the canning and reduction thereof, and operations incidental thereto, in the States of Washington, Oregon, and California, and in the Territory of Alaska."

The factors controlling the fishing industry make it absolutely essential that it be exempt from any legislation or regulation as to maximum working hours.

CONCLUSION

If legislation were enacted which would limit the present seafood and fishery exemption under the Fair Labor Standards Act to only those "employees employed in the catching, taking, * * * of fish", it would unavoidably lead to innumerable conflicts and disputes. The different employees within the industry—fishermen, canners, trapmen, tendermen, machinists, carpenters, cooks, etc.—all live together in one little community, all work together upon the single objective of getting out the season's pack, all are functional parts of one interdependent work unit. To apply one set of rules to certain individuals and an inconsistent set of rules to certain others of the same outfit, all of whom consider themselves part of the same unit, would inevitably create jealousies, bitterness, and disputes. It could not be otherwise. Congress should pass legislation for the good of industrial peace and not be guilty of enacting legislation which would foster industrial strife and unrest, particularly where such legislation could not accomplish any economic good. It is therefore submitted that section 13 (a) (5) of the Fair Labor Standards Act should not be subject to amendment.

Respectfully submitted.

ALASKA SALMON INDUSTRY, INC.,
682 Dexter Horton Building,
Seattle 4, Washington.

Dated: October 15, 1945.

EXHIBIT 86

ADDITIONAL TESTIMONY OF SECRETARY OF LABOR L. B. SCHWELLENBACH

Hon. JAMES E. MURRAY,
Chairman, Education and Labor Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I am taking this opportunity to make available to the Committee on Education and Labor material which appears pertinent to one of the issues raised during the hearings held before the subcommittee considering S. 1349—the effect of the increased minimum wage on the cost of living in the country.

The material, which has been prepared in this Department includes four tables showing corporate profitability for recent years, figures on labor-cost ratios of manufacturing industries and an estimate of increased productivity in manufacturing industries. This material supplements tables estimating the direct cost of the proposed minimum in 19 industries which were submitted to the committee by the Administrator of the Office of Price Administration. Estimates as to the extent to which this increased cost can be absorbed without affecting prices will depend largely upon the three factors of profitability, labor-cost ratio, and increased productivity in various industries.

I am also submitting a study made by the Bureau of Labor Statistics concerning the effect of the 65-cent minimum wage in the basic lumber industry, which shows that manufacturing costs in this industry, which will be among the most seriously affected industries, will be increased on the average only about 3.2 percent.

Yours very truly,

L. B. SCHWELLENBACH.

UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS

CORPORATE PROFITS AND PROFIT RATIOS IN RECENT YEARS

The four attached tables present the available summary data on corporate profits during recent years.

The most extensive information on corporate profitability is found in reports assembled by the Office of Price Administration. Table 1 is derived from these

TABLE 1.—*Percentage return on sales and net worth—before and after taxes 1936–39 average, 1942, 1943, and first half of 1944 by major industry groups*

Industrial group	Profits before income taxes, as a percentage of								Profits after taxes, as a percentage of							
	Net sales				Net worth [1]				Net sales				Net worth [1]			
	1936–39 average [2]	1942	1943	First half 1944	1936–39 average [2]	1942	1943	First half 1944	1936–39 1936–39 age [2]	1942	1943	First half 1944	1936–39 average [2]	9142	1943	First half 1944
Total of all companies	8.0	12.1	11.6	11.8	9.4	24.5	28.0	26.7	6.6	4.9	4.4	4.2	7.8	10.1	10.5	9.4
Manufacturing	8.5	12.4	11.8	11.9	9.4	25.2	29.1	28.1	7.0	5.0	4.3	4.0	7.8	10.1	10.6	9.5
Durables	10.1	14.0	12.4	11.4	10.1	31.5	30.7	31.0	8.1	5.0	4.0	3.5	8.1	11.2	11.8	9.5
Automobiles and equipment	12.1	12.4	10.8	9.7	20.7	32.5	41.9	39.5	9.9	6.0	4.0	3.3	16.9	15.6	15.6	13.6
Furniture and finished lumber products	6.8	12.4	12.2	10.2	8.4	29.1	26.5	27.9	5.7	4.3	4.1	3.7	7.0	10.0	8.9	10.3
Iron and steel and their products	7.4	14.1	11.6	9.7	5.7	24.5	22.6	17.9	5.9	4.5	4.0	3.2	4.5	7.8	7.9	5.8
Lumber and timber basic products	2.0	13.9	11.2	12.1	1.4	21.4	16.8	14.5	1.5	5.8	4.0	4.9	1.0	8.9	6.1	5.9
Machinery—electrical	11.8	15.3	15.5	15.2	13.7	40.3	56.9	54.0	9.7	4.7	4.1	3.8	11.2	12.3	15.2	13.6
Machinery—nonelectrcial	12.0	17.7	17.4	15.6	11.7	33.8	42.4	47.0	9.6	6.3	5.2	4.1	9.4	12.1	12.6	12.3
Nonferrous metals and their products	6.9	11.2	11.7	11.1	8.3	24.8	30.7	36.3	5.6	3.7	3.8	3.0	6.7	8.3	9.9	9.8
Stone, clay, and glass products	11.9	16.8	13.5	11.1	9.9	24.0	19.5	13.4	9.8	6.4	5.3	4.0	8.2	9.1	7.7	4.8
Transportation equipment (excluding autos)	8.7	11.1	9.8	11.1	6.3	65.5	80.6	57.2	7.0	3.5	2.7	3.2	5.1	20.4	21.9	16.7
Miscellaneous durables	14.2	23.1	21.9	20.9	14.0	33.7	36.3	31.0	11.4	8.9	8.2	6.9	11.3	13.0	13.5	10.2
Nondurables	7.3	10.6	10.9	12.8	8.8	19.4	22.0	24.8	6.2	4.9	4.7	4.9	7.4	9.0	9.5	9.5
Apparel	5.4	10.8	10.1	12.3	9.8	28.5	26.5	29.0	4.4	4.4	4.0	5.6	8.1	11.7	10.6	13.1
Chemicals	16.2	20.5	18.8	20.4	13.5	25.2	25.7	26.2	13.8	8.3	7.6	7.0	11.5	10.1	10.3	9.0
Food and kindred products	4.3	6.3	6.7	10.0	9.2	21.7	24.9	32.0	3.5	3.0	2.8	3.4	7.5	10.4	10.2	11.0
Leather and leather products	3.3	9.3	9.4	8.5	7.0	30.9	29.5	19.5	2.7	3.5	3.3	3.4	5.6	11.5	10.4	7.7
Paper and allied products	6.1	15.2	14.0	14.2	5.3	21.0	20.3	21.9	4.7	5.7	4.9	4.6	4.2	7.9	7.2	7.1
Petroleum and coal products	9.7	12.8	13.6	11.6	6.8	10.8	12.8	16.9	8.8	8.3	8.8	6.6	6.1	7.0	8.3	9.6
Printing and publishing	8.6	10.6	17.9	20.1	10.0	16.7	31.9	28.3	7.1	4.6	6.8	6.3	8.2	7.2	12.1	8.9
Rubber products	5.9	10.2	13.7	14.0	8.9	27.5	53.5	58.4	4.9	4.4	3.7	2.9	7.3	11.7	14.4	12.0
Textile-mill products	4.4	12.8	12.3	13.2	5.4	29.9	28.7	29.0	3.4	4.4	4.0	4.2	4.2	10.3	9.3	9.3
Tobacco products	11.1	11.4	9.3	8.1	15.7	21.8	20.2	18.0	9.2	5.4	4.7	4.1	12.9	10.3	10.1	9.0
Mining	14.9	20.6	18.8	20.3	6.7	15.4	14.5	15.0	12.8	12.2	11.3	11.9	5.8	9.1	8.7	8.8
Construction	11.0	17.1	12.2	--------	17.4	33.2	22.3	--------	9.2	7.4	6.4	--------	14.6	14.3	11.7	--------
Services	6.3	17.7	23.0	--------	8.9	24.4	38.3	--------	5.3	8.7	8.7	--------	7.4	11.9	14.5	--------
Transportation (excluding railroads)	5.5	19.7	21.3	18.6	5.3	26.0	29.0	11.1	4.2	9.1	9.6	7.7	4.0	11.9	13.0	12.8
Trade	5.0	7.8	7.9	6.4	12.5	26.1	26.7	26.6	4.1	3.0	3.0	2.2	10.3	10.2	10.1	9.1
Retail	5.2	7.8	7.9	6.4	12.9	25.8	26.1	26.6	4.2	3.1	3.1	2.2	10.6	10.2	10.1	9.2
Wholesale	2.4	7.4	7.7	6.4	6.4	30.0	35.2	26.9	2.0	2.4	2.3	2.0	5.2	9.9	10.4	8.3

[1] Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. Calculations are based on the average of net worth at the beginning and end of each year

[2] Of the 1,676 companies upon which 1942 and 1943 returns are based, only 1,626 reported complete financial data for the years 1936–39. There are only 966 corporate returns available for the first half of 1944, so a continuous profit series is not feasible. More complete industrial coverage for the larger group of companies resulted in some difference in base period returns for the 2 groups, but in only a few minor industries were these differences substantial.

NOTE.—Percentage returns are based on profits before minority interest and contingency reserves which are deemed to be nonallowable appropriations from current income. Renegotiation reserves in 1942 and 1943 have been deducted from sales as well as profits in every case where the amount set aside was shown as an expense, or included in the provision for income taxes.

Source: Basic data from OPA Financial Reports, Moody's Industrials, and Standard & Poor's Corporation Records.

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data. Profits before and after income taxes, as percentages of sales and net worth, are shown for 1936–39 (average), 1942, 1943, and the first half of 1944 in this table. It should be observed that the information for the first half of 1944 is not closely comparable with the data for the preceding years due to differences in the number of companies represented. The factor of seasonality also prevents exact comparison in some industries of the first half of 1944 with previous years.

Information on profit ratios in 1943 for specified industry groups is available from the Securities and Exchange Commission (table 2). Industry groups represented in these profit data are not comparable with those shown in table 1. The number of companies represented is also much smaller.

Table 3 presents the profits in millions of dollars of 629 large corporations for the years 1939–44 and for the first two quarters of 1945, after all charges and taxes. Although no profit ratios can be drawn from these figures, the trend of profits is indicated for the particular group of companies represented.

In table 4, corporate profits before taxes are set forth as a percent of gross national product value for the period from 1919 to 1945.

TABLE 2.—*Net profits before and after income taxes as a percentage of sales and net worth, 1943*

Industry	Number of companies	Net profit before income taxes		Net profit after income taxes	
		Percent of sales	Percent of net worth	Percent of sales	Percent of net worth
Automobile parts and accessories	79	13.7	82.4	2.9	17.2
Automobiles	10	9.2	34.8	3.3	12.4
Building equipment	23	14.0	27.1	3.8	7.4
Building material (other than clay products and cement)	18	13.4	19.5	6.1	8.9
Cement	8	14.6	8.2	8.3	4.7
Clay products	13	8.5	8.4	3.4	3.4
Commercial cars and trucks	12	10.8	62.9	2.5	14.6
Iron and steel:					
Foundry products	9	14.3	19.2	4.3	5.8
Miscellaneous products	16	8.7	98.0	2.1	23.8
Pig iron producers	4	6.5	5.9	4.0	3.6
Rolling mills (without steel-making facilities)	5	17.6	65.1	3.7	13.7
Steel producers with blast-furnace facilities	14	9.2	17.6	2.7	5.3
Steel producers without blast furnace facilities	13	14.7	43.3	3.7	11.0
Metal and glass containers	9	12.1	19.0	5.1	8.0
Nonferrous metals (including smelting and refining)	23	17.4	17.0	9.2	9.0
Nonferrous metal products	17	12.2	49.2	2.1	8.3
Shipbuilding	7	9.7	106.6	2.1	22.7

Source: Securities and Exchange Commission.

TABLE 3.—*Net profits of 629 large corporations, after all charges and taxes, 1939–45*

1939	$1,465,000,000	1944	$1,897,000,000
1940	1,818,000,000	1945:	
1941	2,163,000,000	First quarter	480,000,000
1942	1,770,000,000	Second quarter	501,000,000
1943	1,802,000,000		

Source: Federal Reserve Bulletin, September 1945.

TABLE 4.—*Corporate profits before taxes and gross national product, 1919–45*

[Billions of dollars]

Year	Corporate profits before Federal income taxes	Gross national product	Profits—percent of gross product	Year	Corporate profits before Federal income taxes	Gross national product	Profits—percent of gross product
1919	7.9	77.1	10.2	1933	−0.2	54.8	−0.4
1920	5.5	86.2	6.4	1934	1.1	63.8	1.7
1921	.7	70.3	1.0	1935	2.4	70.8	3.4
1922	4.7	72.5	6.5	1936	5.0	81.7	6.1
1923	6.1	84.3	7.2	1937	5.2	87.7	5.9
1924	5.2	83.4	6.2	1938	2.5	80.6	3.1
1925	6.7	90.0	7.4	1939	5.5	88.6	6.2
1926	7.0	95.3	7.3	1940	8.4	97.1	8.7
1927	6.2	93.9	6.6	1941	15.7	120.5	13.0
1928	7.5	95.6	7.8	1942	19.8	151.5	13.1
1929	8.4	99.4	8.5	1943	24.3	187.8	12.9
1930	2.4	88.2	2.7	1944	24.9	198.7	12.5
1931	−1.2	72.1	−1.7	1945 [1]	20.0	194.0	10.3
1932	−3.4	55.4	−6.1				

[1] Estimated. Sources: U. S. Department of Commerce.

Labor-cost ratios in the manufacturing industries, 1939

[Wages expressed as percentage of value of products [1]]

All industries, total	16.0
Food and kindred products	8.6
Meat products	6.2
Dairy products	4.7
Canned and preserved foods	10.5
Grain-mill products	4.5
Bakery products	20.6
Sugar	5.6
Confectionery and related products	11.4
Beverages	8.7
Miscellaneous food preparations and kindred products	6.8
Tobacco manufactures	5.1
Textile-mill products and other fiber manufactures	23.1
Cotton manufactures	25.0
Rayon and silk manufactures	21.1
Woolen and worsted manufactures	19.5
Knit goods	28.3
Dyeing and finishing textiles, except woolen and worsted	22.1
Carpets, rugs, and other floor coverings	19.2
Hats, except cloth and millinery	23.8
Miscellaneous textile goods	17.1
Apparel and other finished products made from fabrics and similar materials	19.7
Men's and boys' tailored clothing	23.2
Men's and boys' furnishings, work and sport garments	21.5
Men's neckwear	15.8
Men's and boys' hats and caps, and hat and cap materials	22.2
Women's and misses' outer clothing	20.1
Women's accessories, except millinery	17.5
Millinery	24.8
Children's and infants' outerwear	19.9
Fur coats and other fur garments, accessories, and trimmings	13.7
Miscellaneous apparel	18.2
Embroideries and trimmings	24.8
Miscellaneous fabricated textile products	11.4
Lumber and timber basic products	27.6
Logging camps and logging contractors (not operating sawmills)	32.6
Sawmills, veneer mills, and cooperage-stock mills, including those combined with logging camps and with planing mills	30.9
Planing and plywood mills	20.1
Furniture and finished lumber products	21.6
Household furniture	23.3
Office furniture	25.0
Public building and professional furniture	24.0
Partitions, shelving, cabinet work, and office and store fixtures	25.1
Wooden containers	22.1
Window and door screens, shades, and venetian blinds	16.4
Caskets, coffins, burial cases, and other morticians' goods	19.0
Miscellaneous wood products	17.4
Paper and allied products	15.3
Pulp mills and paper and paperboard mills	15.1
Converted paper products	15.6
Pulp goods (pressed, molded)	21.4

See footnote at end of table.

Labor-cost ratios in the manufacturing industries, 1939—Continued

[Wages expressed as percentage of value of products [1]]

Printing, publishing, and allied industries	19. 1
Newspapers	18. 0
Periodicals	7. 1
Books	14. 2
General commercial (job) printing	25. 6
Lithographing and photolithographing (including preparation of stones or plates and dry transfers)	24. 0
Greeting cards (except hand-painted)	18. 3
Gravure, rotogravure, and rotary photogravure (including preparation of plates)	29. 2
Bookbinding and related industries	28. 3
Service industries for the printing trades	37. 2
Chemicals and allied products	9. 5
Paints, varnishes, and colors	7. 5
Animal and vegetable oils (not including lubricants or cooking and salad oils)	4. 7
Drugs, medicines, toilet preparations, insecticides, and related products	6. 3
Soap and glycerin	6. 0
Rayon and allied products	24. 3
Hardwood distillation, charcoal, and naval stores	9. 7
Fertilizers	7. 0
Industrial chemicals	11. 5
Miscellaneous chemical products	8. 8
Products of petroleum and coal	5. 9
Petroleum refining	5. 2
Coke and byproducts	9. 2
Paving and roofing materials	8. 6
Fuel briquets	9. 2
Rubber products	17. 8
Tires and inner tubes	15. 3
Rubber boots and shoes	33. 6
Miscellaneous rubber industries	19. 9
Leather and leather products	21. 2
Leather, tanned, curried, and finished	16. 2
Leather products	22. 7
Stone, clay, and glass products	22. 8
Flat glass	23. 5
Glassware, pressed or blown	25. 1
Mirrors and other glass products made of purchased glass	21. 3
Cement	16. 1
Structural clay products	32. 7
Pottery and related products	37. 8
Concrete, gypsum, and plaster products	16. 3
Monuments, tombstones, cut stone, and stone products not elsewhere classified	29. 0
Miscellaneous nonmetallic mineral products	17. 4
Iron and steel and their products, except machinery	19. 9
Blast furnaces, steel works, and rolling mills	18. 3
Iron and steel foundry products	32. 6
Tin cans and other tinware not elsewhere classified	9. 7
Wire products	19. 5
Cutlery, tools, and hardware	26. 3
Heating apparatus and plumbers' supplies	21. 7
Metal stamping, enameling, galvanizing, japanning, and lacquering	22. 6
Fabricated structural steel and ornamental metalwork	17. 5
Miscellaneous iron and steel products	20. 2

See footnote at end of table.

Labor-cost ratios in the manufacturing industries, 1939—Continued

[Wages expressed as percentage of value of products [1]]

Nonferrous metals and their products	11. 6
Primary smelting and refining of nonferrous metals	4. 0
Alloying and rolling and drawing of nonferrous metals, except aluminum	12. 6
Secondary smelting and refining of nonferrous metals and alloys	3. 3
Clocks and watches	24. 7
Jewelry	17. 8
Silverware and plated ware	24. 4
Engraving on metal, plating, and polishing	33. 1
Lighting fixtures	18. 7
Nonferrous metal products not elsewhere classified	18. 7
Electrical machinery	19. 4
Electrical equipment for industrial use	21. 6
Electrical appliances	17. 4
Insulated wire and cable	15. 5
Automotive electrical equipment	22. 7
Electric lamps	12. 6
Communication equipment and related products	19. 6
Electrical products not elsewhere classified	16. 8
Machinery (except electrical)	23. 0
Engines and turbines	20. 6
Agricultural machinery and tractors	20. 2
Construction, mining, and related machinery	19. 1
Metalworking machinery	29. 0
Special industry machinery	25. 4
General industrial machinery	22. 3
Office and store machines	30. 9
Household and service-industry machines	18. 5
Automobiles and automobile equipment	16. 0
Transportation equipment except automobiles	27. 1
Railroad equipment	20. 5
Aircraft and parts, including aircraft engines	27. 7
Ship and boatbuilding and repairing	31. 7
Motorcycles, bicycles, and parts	20. 8
Transportation equipment not elsewhere classified	18. 3
Miscellaneous industries	22. 2
Professional and scientific instruments, photographic apparatus, and optical goods	21. 7
Surgical, medical, and dental instruments, equipment, and supplies	12. 9
Musical instruments and parts	31. 1
Toys and sporting and athletic goods	22. 7
Pens, pencils, stencils, and artists' materials	17. 0
Buttons	28. 9
Costume jewelry and miscellaneous products	25. 5
Miscellaneous industries, not elsewhere classified	24. 0

[1] While total production costs are normally used as the basis for computing labor-cost ratios, complete production cost data are not available and "value of products" has been used in their stead. The effect on the ratios is, however, relatively minor, since value of products differs from total production costs only by the amount of profit made or loss sustained. It should also be noted that the labor cost numerator is wages only. If salaries (other than those paid to corporation officers) are added to wages, the percentages shown would be somewhat higher; the ratio for "all industries," for example, would be 19.1 percent as against the 16 percent shown on the first line of this table.

Source: Bureau of the Census, Census of Manufactures, 1939.

PRODUCTIVITY, WAGE CHANGES, AND PRICES

Over a long period, output per man-hour in American industries has increased fairly steadily from year to year. Some industries have made larger gains in productivity than others, but in virtually all industries there have been substantial advances. In all manufacturing industries combined, output per man-hour more than doubled between 1919 and 1939, the average rate of increase during this period being slightly above 3 percent per year. Similarly, in the mining industries, productivity doubled over the 20-year interval 1919–39, rising at the rate of approximately 3 percent annually. The gain in productivity during this same period in railroad transportation was 75 percent and the annual rate of increase was nearly 3 percent (table 1). Comparable statistics are not available for all branches of the economy, but there are indications that productivity also increased substantially if more modestly in such industries as the utilities, trade, services, and construction.

The underlying reason for the continued upward trend in productivity is our increasing technical knowledge and the application of this knowledge to industrial processes. Not revolutionary inventions, but innumerable minor improvements account for most of the steady increase. It is true that in some industries entirely new production methods have permitted drastic reductions in labor requirements, for example, the continuous strip mill in the steel industry. In other instances, however, productivity increases have been achieved by successive improvements in equipment and methods, without radical changes. Even where strikingly more efficient equipment has been devised, it frequently takes many years for its full effect on productivity levels to be realized. For example, about 30 percent of all looms in the cotton-textile industry were automatic in 1914, but not until 1937 did the proportion rise above 90 percent. It would be short-sighted indeed to assume that we have reached the limts of our application of technical knowledge to industry. On the contrary, there is no evidence that our rate of progress has slackened.

Improvements have not been limited to strictly technical changes. Plant organization and arrangement of the work flow through the various stages of production are better understood today. The wide markets and efficient transportation system of the United States have encouraged the mass production of standardized items, permitting full advantage to be taken of mechanization and economies in work organization. There has been progress in management practices with respect to the organization of jobs, training of workers, and working conditions. Finally, the advance in living standards and the reduction in working hours, themselves made possible by increased productivity, have increased the personal efficiency of individual workers. It is reasonable to assume that these factors will continue to operate in the future as they have in the past.

Wartime changes in the character of production and in operating conditions of course had their repercussions on productivity levels.

In the war industries, there were striking gains in output per man-hour, largely because of standardization and mass production. In the aircraft industry, for example, output per man-hour tripled during the years 1942 through 1944. Over the same period, productivity doubled in the construction of Liberty vessels. The technical gains made in the manufacture of war equipment will be important in the future largely to the extent that they are transferable to civilian production. This transferability will be highest in such fields as communications and the manufacture and use of light metals.

Industries manufacturing goods largely for civilian use, there were generally no substantial increases in productivity after 1941. War production requirements precluded any extensive installation of new equipment or the development of new production techniques. Moreover, operations were handicapped by the loss of experienced workers to the armed forces and to war industries, restrictions of production, shortages of many materials, the use of substitute materials, and similar difficulties. On the average, in 24 nonmunitions industries for which statistics are available (mainly industries manufacturing materials and nondurable consumers goods) there was no increase in productivity between 1941 and 1944. It is now anticipated that there will be extremely rapid increases in productivity in manufacturing industries for several years. The wartime operating difficulties will no longer prevail and it is likely that a large amount of new modern equipment will be installed to meet accumulated replacement needs and to provide for expansion of production from the prewar levels. It seems probable that, in all manufacturing industries combined, output per man-hour may increase by one-third before 1950. If such a spurt in productivity occurs, manufacturing industries will, in effect, make up within a few years for the progress deferred during the war and productivity will return to the prewar trend.

Should man-hour output climb to its long-term trend value by 1950, the level achieved will be approximately 50 percent above the actual 1938 figure. It is of interest to note that such a development would parallel that which occurred following World War I. Productivity in manufacturing industries in 1919 was substantially unchanged from the 1914 level. From 1919 to 1922, however, productivity climbed rapidly, the total gain over the 3 years being about one-third.

The mining industries were in a more favorable position during the war period than industries producing goods for civilian use. Because of their importance in the war-production program, they were better able to obtain equipment and labor. Output per man-hour continued to rise at approximately the prewar rate after 1939. There is evidence to suggest that the wartime gains were achieved at the expense of some neglect of development work. It seems likely, however, that productivity will continue to increase at about the same rate as in the past, as mechanization is extended and the poorest deposits are abandoned. If progress is made at the prewar rate, output per man-hour in 1950 will be nearly 50 percent higher than in 1938.

In railroad transportation, productivity rose markedly during the war period—nearly 50 percent between 1939 and 1944. This large advance is attributable principally to the fuller loading of cars. As traffic declines and utilization of car capacity is reduced, it is probable that man-hour output will also fall from the wartime record. However, the long-term tendency to modernize equipment will be resumed. A return to the prewar trend would imply a 1950 productivity level 40 percent above 1938.

Changes in producitivity have an important bearing on the level of living which can be provided by the economic system, and on the relationship between wage and price changes. Output per man-hour, together with average hourly earnings, determines unit labor cost—i. e., the wage payments made per unit of output. Labor costs make up an important part of total production costs in most industries and, thus, large changes in labor cost are likely to influence prices. Moreover, a change in labor cost and price in one industry will affect costs and prices in other industries. A decline in unit labor cost and price in coal mining, for example, would mean decreased costs in industries such as steel, electric utilities, and railroad transportation and would permit price reductions in these industries.

Since the long-term trend of productivity is always upward, wage rates may rise without increases in unit labor cost. Increases in wage rates accompanying productivity gains thus need not result in any upward pressure on price levels, nor in any reduction of profits. If, on the other hand, wage rates remain unchanged as productivity rises, unit labor cost will decline and prices may be reduced without any decrease in profits.

The relationship between changes in unit labor cost and price is not always apparent in the experience of a single industry, because the actual developments are influenced by changes in costs of materials, in competitive conditions, in the bargaining strength of the workers, and similar factors. If a large section of the economy is considered, for example, all manufacturing industries combined, it is clear that in the past there has been a broad correspondence between trends in unit labor cost and in prices. Table 2 shows an index of unit labor cost for all manufacturing and an index of prices of manufactured goods, together with an index of average hourly earnings. From 1919 to 1939 unit labor cost declined 44 percent, prices declined 38 percent, average hourly earnings increased 28 percent. Year-to-year changes in prices did not, of course, correspond with changes in unit labor cost, but the movements of the two series were broadly parallel. From 1933 to 1939, the change in prices was almost exactly the same as the change in unit labor cost, prices rising 14 percent and unit labor cost 13 percent. The declines in unit labor cost and price from 1919 to 1939 occurred despite the fact that the general trend of wage rates was upward. The decline in prices in the face of rising wage rates was made possible by the large increases in productivity.

Thus, wage rates in general may continue to rise in the future without any general advance in prices. If the anticipated upward surge of productivity occurs within the next few years, the economy will be in an especially favorable position to provide a higher level of living for workers through increases in wages and decreases in prices.

TABLE 1.—*Output per man-hour in manufacturing, mining, and steam railroad transportation, 1919–44*

[1939=100]

Year	Manufacturing	Mining	Steam railroad transportation	Year	Manufacturing	Mining	Steam railroad transportation
1919	43.8	49.6	56.7	1932	78.3	77.6	73.7
1920	48.3	51.8	57.6	1933	82.9	78.8	83.0
1921	52.7	54.2	58.5	1934	86.3	81.4	83.7
1922	57.9	57.5	60.9	1935	91.0	84.9	87.6
1923	57.3	59.0	62.9	1936	91.5	86.6	93.5
1924	60.8	60.7	64.6	1937	90.3	88.0	95.2
1925	65.0	62.6	68.2	1938	92.0	90.1	94.7
1926	67.2	63.4	70.4	1939	100.0	100.0	100.0
1927	69.3	65.3	70.2	1940		100.7	105.2
1928	72.4	68.0	73.7	1941		104.2	115.5
1929	75.5	69.9	75.1	1942		106.5	139.6
1930	77.4	72.9	75.1	1943		109.2	150.9
1931	81.0	77.2	75.6	1944		114.2	148.1

TABLE 2.—*Manufacturing industries: Indexes of prices, unit labor cost, and average hourly earnings*

[1939=100]

Year	Prices of manufactured goods	Unit labor cost	Average hourly earnings	Year	Prices of manufactured goods	Unit labor cost	Average hourly earnings
1919	162.4	179.0	78.4	1930	109.5	117.1	90.7
1920	186.3	196.0	94.7	1931	95.8	104.8	84.9
1921	128.5	157.3	82.9	1932	87.4	96.0	75.2
1922	120.0	133.6	77.4	1933	87.7	88.7	73.6
1923	123.4	149.2	85.5	1934	97.3	103.1	88.9
1924	119.8	147.0	89.5	1935	102.2	99.5	90.5
1925	125.1	137.7	89.4	1936	102.0	98.8	90.4
1926	124.4	133.8	89.9	1937	108.5	110.4	99.7
1927	118.2	130.9	90.7	1938	102.2	107.8	99.2
1928	119.3	126.8	91.8	1939	100.0	100.0	100.0
1929	117.5	123.0	92.9				

THE DIRECT EFFECT OF A 65-CENT MINIMUM WAGE IN THE BASIC LUMBER INDUSTRY

(U. S. Department of Labor, Bureau of Labor Statistics)

INTRODUCTION

The purpose of this memorandum is to indicate the effect on wages and costs in the basic lumber industry of the introduction of a minimum wage of 65 cents an hour, and to discuss very briefly the present position of the industry.

Wages in the basic lumber industry would be more sharply affected by a 65-cent minimum than wages in any other major manufacturing industry group, with the exception of tobacco manufactures. Moreover, wages represent a higher proportion of total costs in the lumber industry than in most manufacturing industries. Hence, an examination of the effect of a 65-cent minimum rate in lumber will not reveal the typical or average effect of the introduction of this standard on manufacturing industry. The lumber industry is significant in terms of current minimum wage proposals precisely because its wage structure is relatively low, notably in the Southern area, and the effect of any substantial increase in the present statutory minimum is relatively large.

The basic lumber industry produces and prepares raw forest materials for the use of secondary industries engaged in the manufacture of finished lumber and timber products. Logging camps and sawmills are the most important branches from the standpoint both of production and number of workers employed. Four smaller branches are also included in the industry: Shingle mills, cooperage-stock mills, veneer mills, and plywood mills. All six branches are represented in the wage data utilized in this report.

In August 1944, it was estimated that 456,000 workers were employed in the industry. This represents a substantial increase over the number shown in the Census of Manufactures for 1939. More recently, the total number of employees has declined slightly.

The availability of timber resources determines the location of the industry. No important shifts in location have occurred during the war. In August 1944, 135,000 employees were found in the western States, which embraces 3 Pacific Coast States and 8 States in the Rocky Mountain Area. Only 57,000 were employed in the north, which includes the Prairie Lake, North Central and Middle Atlantic States, and New England. The bulk of the employees, 263,000 were employed in the 9 Southeastern and 4 Southwestern States included in the southern region.[2] In terms of production, the West exceeded the South, with approximately 46 percent of the total production of both hardwood and softwood in 1944. During the same year, the South produced about 40 percent, while the North produced about 15 percent of the total.[3]

DIRECT EFFECT OF 65-CENT MINIMUM ON WAGES AND COSTS

A detailed survey of wages in the basic lumber industry was made by the Bureau of Labor Statistics in the summer of 1944.[4] On the basis of estimated changes in wage rates since that time, a frequency distribution of workers by hourly wage rates has been prepared for the industry as a whole as of the summer of 1945. This estimated distribution is shown in table 1 for the United States and by major regions.

TABLE 1.—*Estimated percentage distribution of workers in the basic lumber industry, by region, summer 1945*

Hourly rate	All regions	North	South	West
Total	100	100	100	100
Under 50 cents	12	3	20	(1)
50 and under 60 cents	31	13	46	(1)
Under 65 cents	54	33	84	(1)
60 and under 70 cents	17	24	22	(1)
70 and under 80 cents	6	23	6	1
80 and under 90 cents	4	13	3	4
90 and under 100 cents	6	8	2	18
100 and under 110 cents	6	4	1	16
110 and under 120 cents	5	4	(1)	16
120 and under 130 cents	4	2	(1)	12
130 and under 140 cents	3	2	(1)	9
140 and under 150 cents	1	1	(1)	5
150 and under 160 cents	1	1	(1)	4
160 cents and over	4	2	(1)	15

[1] Less than one-half of 1 percent.

Source: Bureau of Labor Statistics, U. S. Department of Labor

It will be observed from table 1 that an estimated 54 percent of the workers in the industry had wage rates of less than 65 cents an hour in the summer of 1945; about 84 percent of the workers in the South were below this level, as compared with 33 percent in the North, and a negligible proportion in the West. To increase the wages of all workers earning less than 65 cents to exactly this level, and making no allowance for possible increases to workers already earning 65 cents or more, would result in increases of approximately 9 percent in the wage bill of the industry as a whole. Wages would be increased by about 3 percent in the North, and by 19 percent in the South. There would be no measurable effect in the West.

Wages, of course, represent only one element in cost in the lumber industry. In the lumber industry as here defined, wages and salaries in 1939 represented 35.2 percent of value of product. Manufacturing wages alone represented 30.9 percent.[5] It is not known whether wages have increased or decreased relative to

[2] Wages in the Basic Lumber Industry, 1944, Monthly Labor Review, October 1944.
[3] Department of Commerce, Industry Report, Timber Products Series, Part I. Data from table on p. 13.
[4] Wages in the Basic Lumber Industry in the United States, Monthly Labor Review, October 1945, pp. 762–776.
[5] Census of Manufacturers, 1939.

other costs since 1939. If we assume that the higher of the two figures cited above represent the present wage-cost ratio, the introduction of a 65-cent minimum would result in an increase in cost of about 3 percent for the industry as a whole; the increase in the South would amount to about 7 percent as compared with slightly less than 1 percent in the North. The wage and cost increase figures are shown in the tabulation below:

Basic lumber industry: Estimated percentage increase in wages and manufacturing costs of introduction of 65-cent minimum wage, by region

Percentage increase in—	United States	North	South	West
Wages	9	3	19	(1)
Manufacturing costs	3	1	7	(1)

[1] Less than 0.5 of 1 percent.

The fact should be emphasized that the above figures reflect the average effect by region of the introduction of a 65-cent minimum rate. For example, wages in some establishments in the North will be increased by more than 3 percent; the increase in other establishments will be less than this amount.

Prices and profits

Wartime price regulation made its appearance early in the lumber industry. The first lumber schedule was issued in August 1941, only 4 months after the establishment of the Office of Price Administration. When the General Maximum Price Regulation was issued in May 1942, prices of 75 percent of southern pine, Douglas fir, and western pine lumber were already controlled. These three varieties account for nearly 90 percent of the total output of softwoods in the United States.[6]

The annual index of prices since August 1939 is shown in table 2. A sharp rise in prices began in August 1940, coincident with demands for lumber for military construction. The controls established in August 1941 halted the sharp upward rise for a time. Increases which occurred in 1943 and 1944 were largely caused by price increases permitted on southern pine lumber to encourage production. In September 1945 wholesale lumber prices were 66.3 percent above the 1939 level.

Available materials on profits indicate that the large corporations in the lumber industry have shared in the general prosperity of manufacturing industry during the war years (table 3). These statistics are presented to indicate trends rather than actual profit returns for the industry since only 51 large companies are represented between 1939–42, 35 in 1943, and 25 in 1944. The profits of smaller mills are not indicated by these figures.

TABLE 2.—*Composite index of wholesale lumber prices, 1939–44 and September 1945*

[August 1939=100]

	Average index		Average index
1939	103. 4	1943	156. 9
1940	114. 2	1944	170. 1
1941	136. 0	1945 (September)	172. 0
1942	147. 6		

Source: U. S. Bureau of Labor Statistics, Wholesale Price Division.

[6] Report of Economics Branch, Wage and Hour Division, August 1943, p. 22.

TABLE 3.—*Lumber and timber basic products: Net profits before and after taxes, and as a percent of net worth and sales, 1936–39 to 1944*

Year	Net profits			
	As a percent of sales		As a percent of net worth	
	Before taxes	After taxes	Before taxes	After taxes
1936–39 (average)	2.3	1.8	1.5	1.1
1939 [1]	1.7	1.3	1.2	.9
1940 [1]	6.5	5.0	6.0	4.6
1941 [1]	14.1	8.4	17.5	10.5
1942 [1]	14.2	6.0	20.3	8.6
1943 [2]	11.2	4.0	16.8	6.1
1944 (first half) [3]	12.1	4.9	14.5	5.9

[1] Data from 51 companies.
[2] Data from 35 companies.
[3] Data from 25 companies.

Source: OPA Reports on Corporate Profits, 10, 11, 12. The industry definition includes certain branches not included in other tabulations.

PRODUCTION OUTLOOK

The end of the war found the industry in a favorable position, despite heavy cut-backs in military requirements for lumber. The industry does not face the problem of physical reconversion of its facilities to civilian output. The expected high level of construction should provide a ready market for the lumber industry operating at capacity for the next few years.

However, lumber stocks are at an all time low, and the relaxation of restraints on civilian construction have created demands far in excess of the immediate supply. If the manpower problems of the industry can be solved by spring of 1946 the shortage of lumber is not expected seriously to impede reconversion in the long run. Building up stocks and filling the channels of distribution, however, will contribute to a tight lumber situation for immediate construction. It is expected that sufficient lumber and other materials will be available for a construction program of $7,000,000,000 or more in 1946. Due to various production difficulties supplies of lumber in recent months have been below expectations. Workers are not returning to the industry as fast as had been hoped.

EXHIBIT 87

STATEMENT SUBMITTED BY ERNEST W. GREENE, VICE PRESIDENT, HAWAIIAN SUGAR PLANTERS' ASSOCIATION

This statement is made on behalf of the sugar producers of the Territory of Hawaii who supply, in normal years, about 14 percent of all of the sugar consumed in the United States.

We believe that the enactment of S. 1349 would work grave injury to the sugar industry in Hawaii, which is an important part of the domestic sugar industry. We believe it would result in a decrease in production of this essential commodity whereas the Government has stressed importance of the maximum possible production. We believe it would result in a decrease in employment, as it would unquestionably force some Hawaiian producers out of business.

When contracts between the sugar producers and the unions representing both mill and agricultural employees were announced on August 5, 1945, the union and employers issued a joint statement saying, in part:

"Only maximum cooperative effort and favorable prices will enable the industry to maintain and improve the wage schedules."

The wage schedules referred to provided, effective as of July 1, 1945, a flat increase of 7 cents per hour to all employees, making the present basic minimum virtually 47 cents per hour. They provided further (sec. 7 of contract) for a classification wage structure with a basic minimum rate of 43½ cents per straight-time hour or 41 cents per straight-time hour, as the case may be, but without down-grading of any present employee, as follows:

DAMAGED PAGES

"The classification wage structure will be submitted to the union with the rate of 43½ cents per straight-time hour (inclusive of bonuses) on all islands except the island of Hawaii, where it shall be 41 cents (inclusive of bonuses) as the applicable rate for the basic labor grade under said classification rate structure and the union agrees that it will not attempt to change nor will it object to such basic labor grade rate for the duration of the within contract. It is also understood and agreed that said minima need not be the absolute minima. Where jobs exist that are in job content and requirements below the standard of the basic labor grade, rates for such jobs will be considered apart from the classification structure as sub-basic jobs."

When the uniform contracts between the sugar producers and locals of the International Longshoremen's and Warehousemen's Union, effective as of July 1, 1945, were signed, union officials joined with the employers in issuing a statement which said in part:

"The scope of this agreement, affecting 34 plantations and 20,000 plantation employees, including agricultural workers, is Territory-wide, and upon its embodiment in individual contracts between the several plantations and their employees, at an added cost to the industry of about $5,000,000 a year, will present serious financial problems to some plantations.

"It will be one of the first and most extensive organization coverages ever accomplished for the employees of an agricultural industry.

"The conditions accepted and set forth in the contract form were arrived at through voluntary collective agreement after prolonged conferences between the committees representing management and the union with James P. Blaisdell, president of the Hawaii Employers' Council, conducting the negotiations on behalf of the industry, and Montgomery E. Winn appearing as legal adviser to the council.

* * * * * * *

"With the execution of the present proposals there is an agreement to proceed at once with plantation job classification studies for the purpose of discovering any inequalities that may exist in wage rates of comparable positions so that equalizing adjustments can be decided on while production proceeds without interruption.

"Provision is made so that workers whose jobs rate higher classification will be given pay increases accordingly, and that in instances of lower classifications there will be no reduction of pay for the workers presently employed in these jobs.

"Immediate benefits to follow the execution of the contracts will be added wages and services to employees amounting to a total of about $5,000,000 a year.

"All workers affected will receive an over-all wage increase, including bonus, of 7 cents an hour.

"The terms include vacations with pay, recognition of seniority, extended coverage of hospital and medical perquisites, and machinery for the expeditious and amicable settlement of grievances.

"Parties to the negotiations recognize the responsibilities that rest upon both management and labor for the successful operation of contracts made under the terms agreed upon and that strict observance of these conditions is an understood pledge in their acceptance.

"Only maximum cooperative effort and favorable prices will enable the industry to maintain and improve the wage schedules.

"Thus it becomes the concern of labor equally with management to establish and preserve production conditions that will be beneficial to both."

(See exhibit 1 attached hereto.)

Sugar is produced in Hawaii on plantation farms located in rural districts where each farm must be a complete operating entity, often with costly sources of supply of irrigation water, and must contain the means of growing sugarcane, harvesting it, transporting it to a sugar mill conveniently located on the farm and there processing the sugarcane into raw sugar. The Fair Labor Standards Act classifies the employees of such a plantation farm who work in the mill as industrial and covered, and those who work in the fields as agricultural and noncovered, but, as a matter of fact, the employees of such a plantation farm in Hawaii do not themselves recognize any such distinction. This applies especially to employees whose work is such that they are paid at or about the minimum rate, and any minimum wage or change therein applied to employees in the sugar mill has to be applied also to all other employees, including the agricultural employees in the cane fields. Proportionate increases have to be given to all wage earners. This has been the case in the past and it will undoubtedly be the case with any future changes.

Therefore, any change in the minimum wage required by the Fair Labor Standards Act will affect, in our case, a much larger group of employees than the act contemplates. It is mutually recognized by the employers and the unions that increases, other than increases due to the reclassification now in progress in conformity with the union agreement, are not warranted under present conditions unless the price of sugar is sufficient increased. The ceiling price of sugar, determined by the Office of Price Administration, has remained practically unchanged since early in the year 1942. Costs of producing and marketing sugar have radically increased during that period and are continuing to rise. The economic situation is worse now than it was last summer when the statement above referred to was made.

Production of sugar in Hawaii has decreased during the war years due to shortages of labor and farm machinery. Workers have left their employment in growing sugarcane and manufacturing sugar to enter war work and it has been impossible to obtain enough farm machinery to offset the loss of manpower by increased mechanization of operations. Meanwhile, all costs, including total payments to employees, have increased rapidly.

In the year 1939, 994,173 tons of raw sugar (96° equivalent) were produced, with a total area of 235,227 acres in sugarcane, a total of 37,438 men employed in the industry as an average for the entire year, and 10,731,770 man-days worked during the year by such employees, with a total pay roll for such employees of $27,075,521.

In the year 1944, 874,947 tons of raw sugar (96° equivalent) were produced, with a total area of 216,072 acres in sugarcane, a total of 22,543 men employed in the industry as an average for the entire year, and 7,062,227 man-days worked during the year by such employees, and a total pay roll of $34,469,025 for such employees.

The number of employees decreased by 40 percent and the total pay roll increased by 27 percent, respectively, for the year 1944 as compared with the year 1939. A further increase in total pay rolls, estimated by both the managements and the union at not less than $5,000,000, will occur in the year 1945 due to the provisions of the union contract above referred to. The total pay roll for 1945 will be approximately $40,000,000, an increase of 48 percent over the year 1939.

In terms of labor cost per ton of raw sugar, the foregoing figures indicate:

Year	Labor cost per ton of raw sugar	Labor cost index	Price of raw sugar per ton	Price index
1939	$27.23	100.0	$60.00	100
1944	39.39	[1] 144.6	74.80	125
1945 (estimated)	47.06	[2] 172.8	75.00	125

[1] OPA ceiling price, cost, and freight mainland port.
[2] OPA ceiling price, cost, insurance, and freight mainland port.

The labor cost increased 72.8 percent, but the price increased only 25 percent. Other costs have shown a marked increase. Hawaiian sugar producers and all other domestic sugar producers have survived during the war solely because of the help received from the price-support and production-incentive programs of Commodity Credit Corporation. The program of CCC for producers of raw sugar in the Territory of Hawaii for the year 1945 (see exhibit II, attached hereto) provides payments at the rate of 55 cents per 100 pounds of raw sugar delivered ($11 per ton), subject to certain conditions, one of which requires that the proceeds of the program be treated as though they were part of the price or proceeds of sugar for purposes of payments to labor under the long-established and published bonus system in effect on all sugar-plantation farms in Hawaii. This means that employees will receive an extra 5½ percent of earnings during the year 1945 in accordance with the provisions of the CCC program.

The conditional compliance payments made to sugar producers under the terms of the Sugar Act of 1937 are actually a part of the system of control over producers which was set up by that act. The sugar program is a self-financing arrangement under which the excise tax is taken out of the normal gross proceeds of the sale of sugar, and principally reduces the income of the raw-sugar producer, who then, upon compliance with certain conditions, receives the remainder of his normal proceeds in the form of the conditional-compliance payment. (See exhibit III, attached hereto.) The conditional payments are not gratuities as

they are sometimes misrepresented to be. For the year 1944 the conditional-compliance payments to Hawaiian producers, pursuant to the Sugar Act, amounted to an average of $9.37 per ton of raw sugar (46.85 cents per 100 pounds). (See exhibit IV, attached hereto.)

The Territorial legislature, in 1945, enacted the Hawaii wage and hour law (ch. 75, Revised Laws of Hawaii, as amended), effective July 1, 1945. It is among the very few State wage and hour acts covering agricultural workers, for whom it establishes a minimum wage (for employees of employers of 20 or more persons) of 40 cents per hour—an amount equal to the minimum wage under the Fair Labor Standards Act.

Further protection is given agricultural workers engaged in the production of sugarcane by the Sugar Act of 1937, as amended, which provides that the wages paid to such employees shall be not less than minimum wages determined by the Secretary of Agriculture to be fair and reasonable after investigation and public hearing. Workers on sugar-plantation farms are thus amply protected as to minimum-wage standards under Federal and Territorial laws.

Sugar producers in Hawaii, in common with all other domestic producers, face a period of reconversion and adjustment to peacetime conditions and the resumption of a free market and free prices. It seems to be the consensus of opinion that sugar will continue in short supply for some time and, therefore, may be the last, or at least one of the last, commodities to be released from Government controls. It is doubtful whether anyone can now foresee the cost and price conditions under which sugar will be produced during the impending period of adjustment, but it seems safe to predict that it will be an extremely difficult time. We believe that wartime conditions have caused all the problems incident to increased costs with which sugar producers can hope to deal, and that the enactment of S. 1349, or similar legislation, should be deferred until the adjustment to peacetime conditions has indicated the conditions under which the domestic sugar industry will have to operate during the next few years.

The extra labor costs which would be imposed upon sugar producers by the enactment of S. 1349 for the first year when the minimum wage would be 65 cents per hour have been conservatively estimated at an aggregate increase in pay roll amounting to more than $12,000,000, or $14.12 per ton of raw sugar (70.6 cents per 100 pounds). The increase in cost might amount to as much as $17 per ton of sugar (85 cents per 100 pounds). The foregoing estimates are made on the assumption that approximately the amount of the increase in minimum wage required by legislation for employees covered by the Fair Labor Standards Act would have to be applied as a straight-time hourly increase to all employees, including employees engaged in agriculture. (See exhibit V, attached hereto.)

Sugar producers in Hawaii cannot survive under such an increase in costs as would be the consequence of the enactment of S. 1349, unless the price of sugar is correspondingly increased, with assurance that such higher prices will continue.

The quantity of sugar produced in Hawaii in the year 1944 was only 12 percent less than in the year 1939, notwithstanding a loss of 40 percent in numbers of employees. Production was maintained by the unremitting work and ingenuity devoted by plantation managements to the maximum adaptation of such field machinery as was available to mechanization of the production, cultivation, and harvesting of sugarcane, and also by the loyalty and hard work of the employees who remained in the work of sugar production. Under the conditions of extreme labor shortage there is created, temporarily, a greatly increased output of sugar per man-day worked. This is not permanent because only part of the most essential tasks have been performed. Many things necessary to continued high productivity in cane fields have been omitted.

A tremendous backlog of unperformed maintenance and reconditioning work has been built up. It is impossible to maintain or increase production under such conditions. More manpower is urgently needed and must be employed as soon as available.

Therefore, it is impossible to foresee accurately at this time the situation with respect to wages, man-days, and labor cost per ton of sugar when it is possible to operate normally with adequate working forces and the benefit of steady progress in mechanization of field operations. Production will increase when such conditions come into being and many elements of cost will be changed thereby. It would be well to await that time before enacting legislation on the lines of S. 1349.

The elimination of the exemptions with respect to the hours provisions of the act, now contained in section 7 (c), would throw a further burden of increased cost upon processors of sugarcane into raw sugar. The exemptions for the first

processing of sugar beets and sugarcane were included in the Fair Labor Standards Act after a thorough study by the Congress, and the necessities of processing plant-operating schedules for dealing with such agricultural commodities have not changed since the act was passed.

Sugar is produced on 35 plantation farms in the Territory of Hawaii, located on 4 of the islands of the group, namely, Hawaii, Maui, Oahu, and Kauai.

The production of sugar in Hawaii can only be carried on successfully by large-scale farming enterprises. Sugarcane in Hawaii requires about 2 years to mature, thus tying up large amounts of working capital for long periods of time in growing crops. Two-thirds of the crop is grown under irrigation and the plantation farms have had to develop and operate at their own expense large and costly water systems for irrigation.

Sugar is produced in rural areas. The sugarcane must be processed in the area of production. Each of the plantation farms has its own transportation system and its own sugar mill to process its sugarcane, with the exception of two, which are so located that their sugarcane can be transported economically to neighboring sugar mills.

Plantation farms vary in size, the smallest producing about 3,000 tons and the largest about 80,000 tons of sugar a year. In the year 1939 there were more than 37,000 employees on plantation farms. Wartime labor shortage has reduced the number to less than 23,000, as mentioned elsewhere in this statement, but it is hoped that a normal working force will again be available. All of these workers are assured of year-round employment, both in growing and processing sugarcane. Their earnings are high for the rural employment in which they are engaged, and compare favorably with workers in similar lines under similar conditions anywhere in the United States.

Health and living conditions on plantation farms are excellent. Each employee receives, as free perquisites of employment, house, domestic water and fuel, community services, and complete medical service and hospitalization for himself and the members of his immediate family.

More than 3,000 small growers work jointly with certain of the plantation farms, principally in areas where sugar cane is grown under natural rainfall, in growing sugarcane. All except 2 of the plantation farms are incorporated and are owned by more than 15,000 stockholders, over 80 percent of whom live in Hawaii.

Because the plantation farms are located in rural areas they have for many years made contracts with one or another of several agency firms in Honolulu to act as sugar factors. The agents provide the necessary financing for growing crops, purchase materials and supplies, handle shipping and marketing, and render valuable consulting services all at reasonable cost to the producers—in fact, at considerably less than it would cost each producer to perform such service for itself.

The Hawaiian Sugar Planters' Association is a voluntary agricultural cooperative of sugar producers. It operates at its own expense and experiment station which it founded 50 years ago and which has grown to be recognized as an outstanding scientific institution of high standing.

Twenty-six of the sugar producers in Hawaii own and operate as a cooperative the California and Hawaiian Sugar Refining Corp. Its refinery at Crockett, Calif., has as its sole activity the processing and marketing of the raw sugar and molasses produced by its owners.

We submit that this is not an appropriate time to impose upon domestic sugar producers the additional burden of a rigid statutory wage increase of large amount which could only be met if the price of sugar were to be considerably increased. It is recommended that the adjustments in wages which it is possible to make be left to the processes of collective bargaining, which in Hawaii are adequately covered by the provisions of the union contract with respect to the classification study now in progress and the adjustments in wage scales which are to be made as a result thereof.

The sugar producers in Hawaii, therefore, protest the provisions of S. 1349 and respectfully urge that it be not enacted.

Exhibit I. Hawaiian Sugar Planters' Association

The following joint statement was issued August 3 by Richard G. Bell, chairman of the committee representing the Hawaiian sugar plantations, and Jack Hall, chairman of the Territorial International Longshoremen's and Warehousemen's Union Policy Committee concerning the new sugar industry-union labor agreement.

"The management of Hawaii's sugar plantations and the territorial policy committee of the ILWU announce their agreement on basic terms for a contract form that is acceptable to the management and which the policy committee unanimously recommends for acceptance by ILWU local unions as the basis for individual contracts on sugar plantations throughout Hawaii. Members of local unions will state their positions on these terms by secret referendum vote August 5.

"The contract will be retroactive to July 1 if accepted by the local ILWU unions on plantations throughout the Territory.

"This agreement, affecting 34 plantation and 20,000 plantation employees, including agricultural workers, is Territory-wide and upon its embodiment in individual contracts between the several plantations and their employees at added cost to the industry of about $5,000,000 a year will present serious financial problems to some plantations. It will be one of the first and most extensive organization coverages ever accomplished for employees in an agricultural industry.

"The conditions accepted and set forth in contract form were arrived at through voluntary collective agreement after prolonged conferences between committees representing management and union with James P. Blaisdell, president of the Hawaii Employers' Council conducting the negotiations on behalf of industry and Montgomery Winn appearing as legal adviser for the council. They are presented jointly by the two committees with the conviction that they provide means of accomplishing lasting benefits to the industry, to its employees, and to the community by insuring industrial peace and uninterrupted sugar production.

"They are designed to maintain harmonious relations and further the interest in Hawaii's industrial progress that is mutual between management, labor, investors and the public generally. Their objective is to provide desirable working conditions in the sugar industry that can be maintained without work stoppage and avoidable friction between management and labor.

"With the execution of the present proposals there is an agreement to proceed at once with the plantation job classification studies for the purpose of discovering any inequalities that may exist in wage rates of comparable positions so that equalizing adjustments can be decided on while production proceeds without interruption. The provision is made so that the workers whose jobs rate higher classifications will be given pay increases accordingly, and that in instances of lower classifications there will be no reduction of pay for the workers presently employed in these jobs.

"Immediate benefits to follow execution of contracts will be added wages and services to employees amounting to a total of about $5,000,000 a year. All workers affected will receive an over-all wage increase including bonus of 7 cents an hour.

"Terms include vacations with pay, recognition of seniority, extended coverage of hospital and medical perquisites, and machinery for the expeditious and amicable settlement of grievances. Lock-outs, strikes, sit-downs, work stoppages, and slow-down of production are prohibited.

"Parties to the negotiations recognize the responsibilities that rest upon both management and labor for the successful operation of contracts made under the terms agreed upon and that strict observance of these conditions is an understood pledge in their acceptance. Only maximum cooperative effort and favorable prices will enable the industry to maintain and improve the wage schedules. Thus it becomes the concern of labor equally with management to establish and preserve production conditions that will be beneficial to both.

"The parties joining in this statement believe that the terms agreed upon will be favorable to creating and maintaining these vitally necessary conditions. Higher pay levels and betterment of working conditions will be reflected in the welfare of the workers and of the community and the recognition of mutual interest will be an incentive to cooperative effort beneficial to the industry as a whole, to its employees, to its management, and to the investors who finance its operations.

"The accomplishment of this agreement places Hawaii in a leading position in American management-labor relationships and gives bright promise for Hawaii's industrial future."

Exhibit II. Hawaiian Sugar Planters' Association

WAR FOOD ADMINISTRATION,
COMMODITY CREDIT CORPORATION,
Washington 25, D. C., May 23, 1945.

CCC LETTER NO. 3 TO PRODUCERS OF HAWAIIAN RAW CANE SUGAR

Subject: Offer of Commodity Credit Corporation to producers of 1945 crop Hawaiian raw cane sugar

In order to maintain or increase the production of Hawaiian raw cane sugar during the present emergency, the Commodity Credit Corporation, a corporate agency of the United States (hereinafter called Commodity), hereby offers to make payments with respect to raw cane sugar derived from Hawaiian sugarcane harvested during the calendar year 1945 (hereinafter called, 1945 crop sugar).

1. *Payments with respect to raw cane sugar.*—Commodity will, subject to the terms and conditions specified herein, pay to each producer of 1945 crop sugar (hereinafter called the Producer) 55 cents per 100 pounds (96° raw value, using conversion factors as provided in the Sugar Act of 1937, as amended) of 1945 crop sugar delivered by it.

2. *Maximum production.*—Producer shall use its best efforts to harvest during the calendar year 1945 a maximum quantity of sugarcane and to obtain the production of a maximum quantity of 1945 crop sugar therefrom.

3. *Reduction of payments upon increase in price of raw cane sugar*—(a) *Sugar delivered to continental United States.*—In the event of any increase or increases above $3.75 per 100 pounds, c. i. f., duty paid, delivered, in the ceiling price of raw cane sugar at final destination in continental United States, or, if there is no such ceiling price, in the event of any increase or increases above $3.75 per 100 pounds, c. i. f., duty paid, delivered, in the New York market price (as defined in the west coast cane refiner agreement, heretofore existing between Commodity and west coast refiners of cane sugar) of raw cane sugar, the total amount payable by Commodity pursuant to paragraph 1 hereof with respect to raw sugar delivered to the continental United States shall be reduced by the amount of any such increase or increases applied to that quantity of 1945 crop sugar so delivered during the effective period of any such increase or increases at each destination.

(*b*) *Sugar delivered in the Territory of Hawaii.*—In the event of any increase or increases above the price per 100 pounds of raw cane sugar in effect in the Territory of Hawaii as of the date of this offer, the total amount payable by Commodity pursuant to paragraph 1 hereof with respect to raw sugar delivered in the Territory of Hawaii for direct consumption or refining, or for any purpose other than shipment to the continental United States, shall be reduced by the amount of any such increase or increases applied to that quantity of 1945 crop sugar so delivered during the effective period of any such increase or increases.

4. *Appointment of sugar factors as attorney in fact.*—Producer, in accepting this offer, shall be deemed to have appointed Sugar Factors Co., Ltd., a corporation organized under the laws of the Territory of Hawaii and having its principal place of business at Honolulu in the Territory of Hawaii (hereinafter called "Sugar Factors"), its attorney in fact, for it and on its behalf to make application for payment hereunder and to receive any and all payments due or to become due it hereunder and generally to do and perform each and every act and thing whatsoever which may be necessary or proper to effectuate receipt of payment hereunder.

5. *Payment.*—Application for payment hereunder shall be made on behalf of producer by Sugar Factors (a) on or before August 1, 1945, with respect to all 1945 crop sugar delivered on or before midnight June 30, 1945, and (b) on or before March 1, 1946, with respect to 1945 crop sugar delivered after June 30, 1945. The application shall be in such form, supported by such documents and accompanied by such certifications and proofs, as Commodity may prescribe. The amount payable by Commodity to producer hereunder shall be paid as soon as practicable after application has been approved by Commodity.

6. *Settlement with planters and labor.*—Producer shall treat the amount payable by Commodity hereunder as an increase in the New York market price of sugar for the purpose of settlement for sugarcane under the contracts between producer and the planters from whom it purchases sugarcane during the calendar year

1945, and for the purpose of determining the amount to be paid to labor pursuant to the bonus plan of the Hawaiian Sugar Planters Association in effect on January 1, 1945. Producer shall continue such bonus plan in effect throughout the calendar year 1945.

7. *Books, records, and accounts.*—Producer shall keep complete and accurate books, records, and accounts with respect to all 1945 crop sugar produced or delivered by or for it with respect to all sugarcane from which sugar is produced, and with respect to all amounts paid by it to its workers and planters. Producer shall furnish to Commodity such information and reports relating to these transactions as Commodity may from time to time request. Commodity shall have the right at any time or times to audit any books, records, and accounts of producer and of Sugar Factors necessary for determinations hereunder.

8. *Delivered defined.*—For the purposes of this offer sugar shall be deemed to be delivered (a) at any port of destination on the mainland of the United States, upon arrival of the ocean carrier at such port and (b) elsewhere, when title to the sugar is transferred from producer: *Provided, however,* That with regard to lost cargoes the shipping weight of such cargoes shall be deemed to have been delivered 14 days after date of clearance from loading port.

9. *Officials not to benefit.*—No Member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this offer or to any benefit that may arise therefrom, but this provision shall not be construed to extend to benefits arising from this offer if accruing to a corporation.

10. *Assignment.*—No contract resulting from an acceptance of this offer nor any claims arising thereunder shall be assigned in whole or in part by producer without the prior written approval of Commodity, and any such assignments shall be in such form as may be approved or prescribed by Commodity.

COMMODITY CREDIT CORPORATION,
By C. C. FARRINGTON, *Vice President.*

Exhibit III. Hawaiian Sugar Planters' Association

THE TAX-QUOTA-PAYMENT PROGRAM FOR SUGAR UNDER THE SUGAR ACT

Predicted effect of tax

As was officially predicted, the effect of the tax has not been to increase the price of sugar to consumers.

"* * * one is likely to assume that excise taxes increase prices under all conditions, but an excise tax on sugar, within certain limits, under a quota system is one of the exceptions.[1]

"Quotas influence the price of sugar through the control of supply; consequently under a quota regulation of the supply of sugar, a tax may be levied without causing any adverse effect, over a period of time, on the price paid by consumers.

"I recommend to the Congress the enactment of an excise tax at the rate of not less than 0.75 cent per pound of sugar, raw value. I am definitely advised that such a tax would not increase the average cost of sugar to consumers." [2]

Actual effect of tax

"Since the total quota for sugar was completely filled each year, the quota system definitely limited the quantity of sugar made available for sale in the United States, regardless of the processing tax. Consumers would pay only a given price and aggregate amount for such a quantity, depending upon the existing state of demand, which is largely influenced by consumer purchasing power. Therefore, the tax did not affect the retail price in any way, at least over any appreciable peroid of time, and so could not have been passed on to consumers.[3]

"Since the tax was not borne by consumers or by refiners or distributors of cane sugar, and apparently was not borne by the manufacturers of raw sugar, it follows that the grower of cane sugar, as the residual element in the situation, did bear the burden of the tax as such." [4]

[1] Statement on Sugar, by the Secretary of Agriculture, United States Department of Agriculture Press Release, March 15, 1937, p. 9.

[2] Message From the President of the United States Transmitting a Recommendation for the Enactment of the Sugar Quota System, and Its Necessary Complements. March 1, 1937. House of Representatives Document No. 156, 75th Cong., 1st sess.

[3] Page 67, An Analysis of the Effects of the Processing Taxes Levied Under the Agricultural Adjustment Act, published 1937 by the Bureau of Internal Revenue.

[4] An Analysis of the Effects of the Processing Taxes Levied Under the Agricultural Adjustment Act, p. 70. Note that this applies to cane sugar. In case of beet the new tax program caused some shift of income from processors to producers, as explained and predicted in March 15, 1937, statement of the Secretary of Agriculture.

The tax under the sugar program has been borne principally by the producers of raw sugar and sugar beets, and the cost of sugar to consumers has not been increased. The following table illustrates these points by statistics for years when the processing or excise tax was in effect compared with years when there was no such tax:

	Average, 1909–13	1935	1936	1938	1939
	Cents per pound	*Cents per pound*	*Cents per pound*	*Cents per pound*	*Cents per pound*
Price of raw sugar [1]	4.10	3.20	3.60	2.94	2.99
Processing or excise tax		.50		.50	.50
Refining and distributing margin (by difference)	1.85	2.00	2.00	1.86	1.91
Retail price of refined sugar [2]	5.95	5.70	5.60	5.30	5.40

[1] Bureau of Agricultural Economics, U. S. Department of Agriculture.
[2] Bureau of Labor Statistics, U. S. Department of Labor

The sugar program is a self-financing arrangement under which the tax is taken out of the normal gross proceeds of sale of sugar, and principally reduces the income of the raw producer, who then, upon compliance with certain conditions, receives the remainder of his normal proceeds in the form of the conditional compliance payment. The total proceeds—sales price and conditional payment—are intended to return to the raw producer his normal share of the aggregate income of the domestic sugar industry.

The basic fact is that the tax on sugar is not a price-raising device at all. The sole purpose and effect is to withhold temporarily from cane and beet producers a substantial part of their normal income, in order to use it later in payments to producers as an irresistible incentive to carry out production adjustment and marketing control—as well as to induce them to meet standards for employment and soil conservation deemed necessary for the success of the program.

As long as the tax remains in effect, any denial or drastic curtailment of conditional compliance payments to any group of domestic producers would inflict an injustice on all producers thus discriminated against, and would, if carried very far, prove financially disastrous to many of them.

The conditional compliance payment under the sugar program is not a burden on either taxpayers or consumers. It is, as has been explained, merely a practical device for inducing producers to carry out certain practices deemed by Congress to be essential and desirable from the standpoint of the general welfare such as:

(1) The payment of officially determined minimum wages.
(2) The observance of minimum wages for employees.
(3) The adjustment and control of production and marketing.
(4) The payment by processors of not less than officially determined minimum prices for sugar beets or sugarcane.
(5) The carrying out of farming practices intended to preserve and increase the fertility of the soil.

A producer who has complied with the prescribed conditions has earned, and by right should receive, the payment for which he has thus qualified under a self-supporting program. The tax reduction in the proceeds of sale of the raw product makes it necessary for all producers to qualify for and receive the conditional payment in order to realize a normal return. Large-scale producers, under the graduated scale of reductions which is incorporated in the Sugar Act, receive in conditional compliance payments considerably less than the amount contributed through the tax on the sugar they produce.

A scale of reductions in payments based on mere size of the production unit must necessarily give an inequitable result because there is no direct relationship between the cost and the scale of production. It is incorrect to assume that large producers necessarily make large profits. Some large producers make little profit, and some make more. The same is true of small producers, some of whom produce at high cost and some at low cost. Those few large and small producers who have been fortunate enough to make substantial profits pay large income taxes, and thus are subject to a levy on net income.

In fact, it will be noted that any adjustment of producer income should be based on profits and not on merely the size of the farm in order that a program may

operate successfully. This was pointed out by the Department of Agriculture in a letter to the Senate, as follows:

JULY 1, 1939.

Hon. E. D. SMITH,
Chairman, Senate Committee on Agriculture and Forestry,
United States Senate.

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Technical aspects of S. 2395.

It is suggested that consideration be given to the following possibilites of improving the technical provisions of S. 2395:

* * * * * * *

2. By modifying the provision in section 340 (b) whereby the certificate allotments per farm would be scaled down as the total number of bushels increases. It is possible that this provision was included on the assumption that large producing units have a marked advantage from the standpoint of efficiency in production. If this assumption were correct, the ultimate effect of these scale-down provisions would be to foster the adoption of less efficient production units. On the other hand, efficiency of production seldom, if ever, increases in any given proportion to the increases in the size of the enterprise. Some small farms are low-cost producers and some large farms are high-cost producers. Consequently, these scale-down provisions would not be an equitable means of avoiding excess profits. The equitable and nondiscriminatory device for this purpose is a tax on the things themselves, namely high net incomes and excess profits.

HARRY L. BROWN, *Acting Secretary.*

Exhibit IV. Hawaiian Sugar Planters' Association

U. S. DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
Washington 25, D. C., October 16, 1945.

MR. ERNEST W. GREENE,
Vice President, Hawaiian Sugar Planters' Association, Washington, D. C.

DEAR MR. GREENE: There are set forth below the data which you recently requested with respect to the 1944 Hawaiian sugarcane program. Except as indicated, this information is taken from the annual summary of the applications for payment submitted by Mr. King.

Number of applications	39
Number of producer-payees	1,605
Acres of sugarcane growing	[1] 216,072
Acres of sugarcane harvested	[1] 109,522
Tonnage of sugarcane harvested	8,757,197
Tonnage of sugar with respect to abandonment and deficiency	1,075
Actual tonnage of sugar produced	874,946
Total sugar for payment	876,021
Total payment	$14,016,331
Deduction pursuant to sec. 304(c)	$5,803,135
Deduction because of employment of child labor	$2,540
Net payment	$8,210,656
Average payment per ton of sugarcane	$0.937
Average payment per ton of sugar	$9.37
Average payment per acre harvested	$74.97
Average payment per application	$210,530
Average payment per producer-payee	$5,116

[1] From Hawaiian Sugar Planters' Association.

NOTE.—Payment figures include amounts for abandonment and deficiency.

Very truly yours,

C. M. NICHOLSON,
Chief, Sugar Act Division, Sugar Branch.

Exhibit V. Hawaiian Sugar Planters' Association

HONOLULU, T. H.,
October 9, 1945.

MR. P. E. SPALDING,
President, Hawaiian Sugar Planters' Association, Honolulu, T. H.

DEAR SIR: This is the report of the special committee which you appointed to determine the effect which the provisions of Senate bill S. 1349 will have on the Hawaiian sugar industry, if the bill becomes law.

Due to the fact that the bill is now in committee and an immediate answer is necessary, we do not have the time to investigate the problem thoroughly. We do, however, believe that we have arrived at a fair and reasonable estimate of the minimum effect of the provisions of the bill on pay-roll costs and the resultant increase in production cost per ton of raw sugar.

A digest of the bill is attached hereto and there is also attached our computations of the increased costs per ton of sugar due to the proposed establishment of minimum wage rates as shown in the computation. It should be clearly understood that the increased costs shown are the minimum. The bill exempts agricultural employment but past experience shows that it will be necessary to treat all plantation employees similarly. Computed on this basis all employees, if the bill becomes law, will receive an increase in pay per hour equal to the difference between the proposed minimum rates and the present minimum rate in effect of approximately 41 cents per hour.

Our conclusions are as follows:

1. The minimum increase in total cost and per ton of sugar will be:

	Total	Per ton
First effective year (65-cent minimum)	$14,630,070	$17.42
Second effective year (70-cent minimum)	17,678,001	21.05
Thereafter (75-cent minimum)	20,725,932	24.67

2. Based upon the above minimum increases in production costs, the fixed price of sugar and present or proposed governmental payments to foster production, a majority of the 34 Hawaiian sugar plantations with an aggregate net worth exceeding $150,000,000, will be unable to operate.

Furthermore, it must be continually borne in mind that the plantations contribute very heavily to the taxes collected by the Territory and if a number of plantations were to go out of business the remaining ones would have to bear an unproportionate share of such taxes, unfairly adding to their burden.

The unemployment situation resulting from the liquidation of any number of plantations would be calamitous so far as the economic structure of the Territory as a whole is concerned and would force the liquidation of other related businesses.

Respectfully submitted.

R. G. A. CROWE, *Chairman.*

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